No. 30,271

Monday June 29 1987

EUROPE'S BUSINESS NEWSPAPER

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S Korea 'may hold' Italian elections this year

World news - - - Business summary -

South Korea's ruling Democratic
Justice party is reported to be considering demands by opposition parties for direct presidential elections before the end of this year. This would mean that a democratically elected leader could take over when President Chun Doo Hwan steps down at the end of his

term of office next February. The Democratic Justice party, which is drawing up a series of proposals to put to the president, is also considering other alternatives — a referendum to decide the type of government for the country, and a dissolution of the National Assembly, followed by general elections.

Games 'stay' in Seoul

Juan Samaranch, Olympics Committee president, was quoted in a Barcelona newspaper as saying that the 1988 Olympic Games scheduled for Seoul will go ahead despite the unrest in South Korea.

Deng warns Japan

Deng Xiaoping, the Chinese leader, told visiting Japanese cabinet min-isters in Peking that the two counpoorly and warned that Japan must solve several outstanding problems.

US base blast

Three American soldiers died in an explosion during a demolition exercise at a US training ground north west of Regensburg in Bavaria, West Germany.

New Soviet law

A new law allowing Soviet factory managers more independence from Moscow-based bureaucracy is expected to be passed this week by
the Soviet Union's parliament, the
Supreme Soviet.

The chart shows the two constraints
on European Monetary System exchange rates. The upper grid, based
on the weakest currency in the sys-

eastern part of the island.

Portuguese election

The general election campaign in Portugal got under way officially, with the ruling Social Democratic Party trying for an unprecedented outright majority in parliament.

Barbie trial concludes

The two-month trial of former Nazi Gestapo head, Klaus Barbie, for crimes against humanity will conchude in the French city of Lyon

Angola 'siege' town

Angola said that the town of Ngiva near the Namibian border was surrounded by South African forces, supported by artillery and helicop-

West Bank death

An Arab was killed and four other people, including an Israeli soldier, were wounded when shots were fired in a dispute following a land survey on the West Bank.

Movie strike vote

Film and television members of the Directors' Guild of America vote in Los Angeles tomorrow and in New York on Wednesday on whether to

strike if no new pay agreement is Aids 'arrest'

Los Angeles prosecutors will decide tomorrow whether to charge with

attempted murder a man who allegedly sold his blood to several blood banks, knowing he had AIDS.

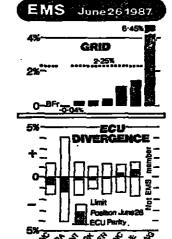
Van Gogh auction

Van Gogh's "Le Pont de Trinquetaille", which will be auctioned in isters drawing up spending plans London by Christie's today, is ex- that it was determined to maintain pected to fetch more than \$12m.

French. publishers in link-up

stake in a subsidiary of the French group, Hachette, and a 5 per cent interest in Publications Filipacchi. Hachette will acquire a 10 per cent stake in the Italian group. Page 24

EUROPEAN Monetary System Trading was rather subdued last week. After improving at the start, the US dollar came back to finish at similar levels to the previous week Consequently there was little change between the D-Mark and the weaker members. Confidence



was sufficient to allow another cut in Belgian short term rates, fol-lowed by a quarter point cut in the discount rate to 7% per cent. All currencies were trading comfortably within their divergence limits and showed little overall change on the

tem, defines the cross rates from Sri Lankan raid

Sri Lankan security forces killed at least seven men and captured arms and ammunition in a raid on a Tamber of the security forces killed at least seven men and captured arms and ammunition in a raid on a Tamber against the European Currenties of the security of the se mil separatist guerrilla base on the cy Unit (ECU), itself a basket of Eu-

ean currencies. PAUL VOLCKER, chairman of the Federal Reserve Board, challenged President Reagan's policy for tack ling the US Federal Budget deficit and endorsed the Democratic Par ty's proposed tax increase. Page 2

TOKYO: The Nikkei market average dropped 147.11 to 24,902.72 in Saturday's half-day session.

STERLING: Temporary fluctuations in the currency may perma-nently damage British industry, according to a reader in Economics at the London School of Economics.

BUSH, UK electronics company, is planning a comeback in the colour television market with a Turkishmade product supplied by Polly Peck, trading and manufacturing

ITALY has taken another step towards abandoning exchange con-trols with draft decrees which

would limit its authorities' powers to impose extra controls during a currency crisis. Page 3 FINANCIAL assistance to develop ing countries fell sharply last year, as higher aid failed to balance the

net decline in export credits and bank lending, says the OECD. CAR SALES in Britain are expected

to reach a record in August when the E registration prefix is intro-duced, says Glass's Guide, the motor trade monitoring publication.

MALAYSIA is to increase the targeted level of government participation in the economy to 50 per cent from 30 per cent, Mr Ghafar Baha. the deputy Prime Minister, said.

UK TREASURY yesterday gave the first public warning to cabinet minrestraint. Page 7

Split in 'whites church' deepens divide in Afrikaner society THE DIVISIONS which have un- Christ for White Afrikaners, is the dermined Afrikaner unity and Afri- brainchild of Professor Wille Lubbe

kaners' belief in their divine mission as the chosen people of Southern Africa deepened over the weekend with a split in the Dutch Reformed Church.

An estimated 2,000 church conservatives gathered at Pretoria's appropriately named Skilpadsaal, or Tortoise Hall. This turtle-back shaped building was also the venue for the 1982 breakaway of the Conservative Party.

The majority voted to leave the

Nederduitse Gereformeerde Kerk (NGK) and form a new breakaway church whose membership is open exclusively to white Afrikaners. The new church, called the Afrikaanse Gereformeerde Kerk "coloure (AGK), sub-titled the Church of blacks.

a right-wing conservative theologian. He has spearheaded the conservative attack against the NGK, which, after years of agonising reappraisal of its stand on apar-theid and related issues, last year issued new doctrinal guidelines in a document called "Church and Soci-

Approved by the General Synod in October last year, the document rejected the church's previous claim of biblical justification for apartheid. Its traditional position not on-ly gave theological backing to Na-tional Party racial politics but also justified the existence of three separate reformed churches for whites, (mixed-race), and "coloureds"

BY ANTHONY ROBINSON IN JOHANNESBURG

Armed with its new document, the NGK, under its "liberal" moderator Professor Johan Heyns, has declared the NGK church open to all races and has made tentative moves to improve relations with its coloured and black sister churches.

Given the continuing existence of the Group Areas Act, which enfor-ces racially separate residential areas, the practical, as opposed to moral and doctrinal significance, of the move has been extremely limited. The Synod also stopped short of denouncing apartheid as a heresy, a demand put forward by the coloured NGK Sendingkerk under its leader, the Rev Allan Boesak, who is also president of the World Coun-

cil of Reformed Churches. But the very idea of racially mixed congregations, and the undermining of apartheid, has proved anathema to many Afrikaners, who last month showed their political opposition to any watering down of "separate development" by giving

Nasionale Party (HNP). Together the right gained over 600,000 votes, nearly 30 per cent of the total.

The church split mirrors the political, cultural and social divisions in the once almost monolithic 2.8m strong Afrikaner community. The political divisions - which began in

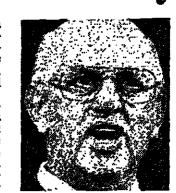
1989 with the breakaway of the

their political support to the Con-servative Party and the Herstigte

HNP and gathered momentum in 1982 with that of the CP - also extend to the Broederbond secret soci-ety. The Broederbond, purged of its right wing after the CP breakaway. is considered dangerously radical

The ironic result is that the National Party, the instrument through which Afrikaners wrested power from the English speakers in 1948, is now kept in power by the votes of non-Afrikaner English speakers. This leaves the Nationalist Government in power while Af-rikaners debate and fight among themselves over their future and their faith.

The principle issue which divides them is whether their survival is best guaranteed by rigid adherence to apartheid or by the search for al-



liances across the previously rigid racial lines and the building of a

on South African national

on detainees, Page 4

Opec output accord aims to stabilise oil price at \$18 a barrel

BY RICHARD JOHNS IN VIENNA

AGREEMENT reached in Vienna by the Organisation of Petroleum Exporting Countries on a collective production ceiling of 16.6m barrels a day (b/d) for the rest of the year should stabilise oil prices at around \$18 per barrel in the opinion of senior industry executives and market analysts.

In practice, the rates will be high-er because of Iraq's refusal to subscribe to any pact on production control and the probability of continued quota violations by other members, in particular the United Arab Emirates

The limit of 16.6m b/d, agreed late on Saturday night - a limit of 15.8m b/d was notionally in force in the first half of 1987 - takes these factors into account, including the prospect of Iraq adding 500,000 b/d to its export capacity by September. Sheikh Ali Khalifa al Sabah, Ku-

wait's Oil Minister yesterday estimated actual demand for Opec crude in the third quarter to be in the 17.5m-17.7m b/d range and "no dealing with the issue "efficiently more than 18m b/d" in the fourth and logically."

The Iranian chief delegate also

obtain some assent from President Saddam Hussein on at least a measure of Iraqi restraint. Its other the short term, spot prices would be main preoccupations will obviously higher than official selling rates. be the UAE and Qatar, but it may He stressed the need for a \$20 per

quota some 280,000 b/d of oil from the Neutral Zone, which they share and which was made and which was made and which was made and their greater detail by Opec's Economic Commission.

Opec appointed a first control of their greater detail by Opec's Economic Commission.

Iraq as "war relief crude" - a form of financial aid in kind. It is believed that Mr Hisham Nazer, Saudi Oil Minister, made an undertaking to Mr Gholamreza Aghazadeh, his Iranian counterpart, to cut volume drastically, but Kuwait - with its oil traffic under constant Iranian attack - has ap-

perently made no such commit-The decision on a 16.6m b/d ceiling, reached at a tense but fairly amicable meeting, was a compro-mise and essentially a negotiating win for Iran backed by Algeria and Libya over Saudi Arabia, supported by Kuwait. The latter had called for a rate of 16.6m b/d in the third quarter, increasing to 18.3m b/d in

the fourth quarter as envisaged in the pact concluded last December. Mr Aghazadeh said that he had convinced Mr Nazer that a 18.3m b/d rate in the last quarter would result in a sharp price decline. He praised his Saudi colleague for

A three-man ministerial commit- made clear that his country retee composed of chief delegates garded \$18 as a floor rather than a from Nigeria, Venezuela and in-ceiling. Although the immediate donesia, established to "motivate" aim was to make term contracts compliance with the accord, is ex- more attractive to buyers, he said pected to visit Baghdad in a bid to members should take advantage of

Mr Aghazadeh predicted that in barrel price to compensate for the Kuwait, very specifically, and depreciation of the dollar, a subject Saudi Arabia, more ambivalently, discussed here and to be studied in have not counted as part of their greater detail by Opec's Economic

geria, Venezuela, Indonesia and Iran – to monitor prices. It is empowered to call an extraordinary meeting (prior to the next sched uled conference on December 9) to decide "on the necessary Opec production levels during the remaining period of the year which should en-sure the desired market stability

should the situation change. Max Wilkinson in London write Oil markets on both sides of the Atlantic have been underpinned for some time by a confident expectation that Opec would agree to limit production to match expected demand for the remainder of this

Before the meeting, traders and oil companies were saying that Opec's combined output target would need to be below 17m barrels per day for the rest of the year. The outcome of the meeting is therefore likely to be broadly positive for oil However, there is little expects

non among major oil companies that prices will rise much above the \$18 to \$20 per barrel range, however much the militant producers, led by Iran, would like this to happen. This is because increasing of prices would raise the temptation for OPEC countries to "cheat" on

world demand for oil products Even a 1 per cent cut in world oil demand could be important for the cohesion of Opec since it could lower demand for its oil by perhaps

their production quotas, while

400,000 b/d. Opec's success in maintaining price and production discipline so

far this year has surprised many of the larger oil companies.

Iran renews attacks on shipping in Gulf

By Andrew Gowers in London and Stewart Fleming in Washington

TENSION in the Gulf rose another notch at the weekend as Iran resumed attacks on shipping after a

Iranian Revolutionary Guards, travelling in Swedish-made speed-boats and based on an island in the Gulf, fired missiles at two oil tankers off the Saudi coast on Saturday: the 224,604-tonne Norwegian supertanker Mia Margrethe, which was carrying oil from the so-called "neutral zone" between Saudi Arabia and Kuwait; and the 273,606-tonne Liberian vessel Stena Concordia, sailing for Kuwait. A total of five crewmen were reported to be in-

jured on the two ships. The Iranian attacks appeared to he a response to renewed attempts by Iraq, Iran's adversary in the Gulf war, to stop Tehran's oil exports by attacking tankers trading with it. They are likely to provoke re-newed concern in Washington,

where the Reagan Administration is putting the finishing touches to a plan to protect Kuwaiti oil tankers by re-registering them under the American flag. Mr George Shultz, the US Secretary of State, reaffirmed yesterday that this plan is to go shead next

gress. A delegation of Democratic Congressional leaders is expected to ask President Ronald Reagan to delay the plan this week. The US has warned of an alleged threat to freedom of navigation in the Gulf posed by Chinese-made

Belgian attempt to clear way for summit accord

BY QUENTIN PEEL IN BRUSSELS

last-minute effort to reconcile the divided factions within the European Community, and produce clear guidelines for future financing and budget reform from the summit meeting in Brussels today and tomorrow.

form of the Common Agricultural Policy (CAP), without promising substantial new funds for regional and social policies - incurring the immediate anger of southern mem-

However, it does keep open the possibility of a whole new financing system for the cash-strapped EC budget, based on national prosperi-ty, and therefore placing a greater burden on rich rather than poor member states.

The Belgian plan was unveiled yesterday by Mr Leo Tindemans, the veteran Belgian Foreign Minister and current chairman of the EC Council of Ministers, at a special pre-summit "conclave" of foreign ministers aimed at averting probable deadlock when the full sur convenes today.

conflicting reactions, from Mr Gin-lio Andreotti, the Italian Foreign A major diffe Minister, who said it "should be forgotten," to British officials describing it as "a good job of work."

Mr Tindemans confirmed that his plan was no more than "guidelines" rather than conclusions which could command majority support Silkworm missiles which Iran is in-However, it was greeted with more stalling close to the strategically imoptimism than other recent efforts to bridge the immediate EC budget portant Strait of Hormuz and on Continued on Page 24 gap of some Ecu 5bn to Ecu 6bn (\$5.7bn-\$6.8bn) – a problem which it

BELGIUM yesterday launched a does not even attempt to tackle. Major points of conflict for the summit remain totally unresolved. Apart from the southern states' demand for more generous budget treatment - in return for their willingness to scrap all national barriers to a common market by 1992 -The plan leans strongly towards the most urgent is the deadlock on stricter budget discipline and refarm prices for the current year.

There was no sign of West German movement yesterday from Mr. Hans-Dietrich Genscher, the Foreign Minister, over the threatened veto by Bonn of both cereal price cuts and dismantling the currency protection granted to West German

The Belgian plan would remove the two most contentious items the agri-monetary currency reform, and a proposed tax on vegetable and marine oils and fats - from the farm price package. That is strenu-oulsy opposed by France, and the European Commission, who regard the package as indivisible.

The minority blocking the oils and fats tax - made up of Britain, Denmark, the Netherlands and West Germany - remains adamant that it would be disastrous for trade It immediately produced totally relations with the US and other ex-

how to tackle the budget crisis. Mr Genscher proposed on Saturday a "three-stage rocket" approach, covering first the immediate budget hole in 1987 and the farm price package: second, providing a transitional agreement to finance the equally gaping spending hole in 1988: and finally promising an overhaul of the total system for 1989.

Continued on Page 24

to abort an agonisingly negotiated air liberalisation pact for the entire European Community.

at the weekend to settle the problem, which led to a dramatic Spanish veto of the air transport package last week. An emergency meeting of EC transport ministers has been summoned to take place in Luxembourg tomorrow in a desperate attempt to have the Spanish blockage lifted before June 30, the last day of the current Belgian

But in Madrid, Mr Abel Caballero, Spain's Transport Minister, was pessimistic about prospects for rial talks planned early next week.

the British Prime Minister, and Mr
the British Prime Minister, and Mr
felipe Gonzalez, her Spanish counterpart, may be called on today to
resolve the dispute over air traffic

over the territory, as went as prefix

dicing bilateral negotiations over its

Single European Act comes into for
joint usage, and is demanding that ce, which introduces a whole new
Cibraltar be exhuded from the scope
resolve the dispute over air traffic insist that it must be included, but the European Parliament.

> Britain with "operetta imperialism" tions on the Thatcher Government.

Spain insists that classification of mean a delay of at least a year in from Gibralter without first having Gibraltar as a UK airport would getting the airline measures to pass through British passport prejudice its claim to sovereignty agreed, one official said yesterday. control and customs.

The problem is that on July 1 the

last minute in the negotiations Spain in dealing with a pro

Thatcher and Gonzalez may be called into Gibraltar talks

terpart, may be called on today to Gibraltar be exluded from the scope resolve the dispute over air traffic rights in Gibraltar which threatens

The British response has been to

High-level officials from the two EC member states tried and failed

ment in the renewed ministe-

ing, and special consultation with

The 12 member states have taken agreement, and there is unlisguised irritation that the Spanish problem was raised only at the However there is also sympathy for many regard as a colonial han-

Franco-British negotiations on joint civilian use of Gibraltar's Officials in Brussels now lear that without the intervention at least of the British and Spanish foreign ministers at today's EC summit, and probably the two prime ministers, no agreement will be on Basle-Mulhouse airport nave neen that without the intervention at bogged down since the two sides agreed to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled ministers, no agreement will be on Basle-Mulhouse airport nave neen that without the intervention at bogged down since the two sides agreed to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled ministers, no agreement will be on Basle-Mulhouse airport nave neen that without the intervention at bogged down since the two sides agreed to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled ministers, no agreement will be on Basle-Mulhouse airport nave neen that without the intervention at bogged down since the two sides agreed to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled ministers, no agreement will be on Basle-Mulhouse airport nave neen that will be supported by the two primes agreed to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled ministers, no agreement will be on Basle-Mulhouse airport nave neen that the support nave need to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled nave need to talk on this and other dibrattar issues in 1984. Spain has sought an arrangement modelled nave need to talk on this and other dibrattar issues in 1984. Spain has sought and arrangement modelled nave need to talk on this and other nave need to talk on this agreement modelled nave need to talk on this agreement modelled nave need to talk on this and other nave need to talk on this agreement nave need to talk on the talk on the tal This row about Gibraltar could enable Spanish nationals to fly

BY QUENTIN PEEL IN BRUSSELS AND DAVID WHITE IN MADRID MRS MARGARET THATCHER, over the territory, as well as preju-

that a formula can be found to state that the new rules do not prejudice any hilateral negotiations on Gibraltar's ultimate sovereignty.

El Pais, a leading Spanish daily newspaper, identified with the current Spanish Government, charged and "intransigence" over the Gibral many tar question. It placed the onus for breaking the deadlock in negotia-

years to reach their current level of

Officials in Brussels now fear RAF-controlled airport have been

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THE MONDAY PAGE INTERVIEW

Terry Dodsworth

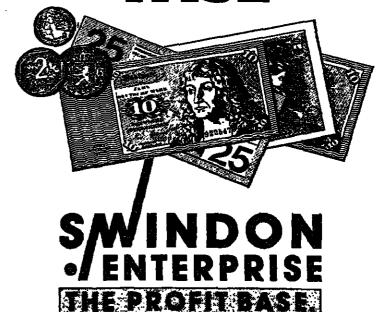
talks to Karlheinz

Kaske, Siemens

chief, Page 14

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HEAL EAL



FOR LOWER OVERHEADS - AROUND ONE FIFTH CENTRAL LONDON'S AS OUTSTANDING QUALITY OF LIFE BASE FOR EUROPE + HEATHROW 60 MINS (T) EXCELLENT ADVANCED COMMUNICATIONS = LONDON 50 MINS BY HIGH SPEED TRAIN PRIME MA CORRIDOR LOCATION ## YOUNG, DYNAMIC AND VERSATILE WORKFORCE TO FOR THE FULL STORY, CALL CHRISTOPHER GIBALID ON SWINDON

THAMESDOWN BOROUGH COUNCIL HAS A RANGE OF SITES AVAILABLE.

Sweden drops insider probe

few courts. system for parallel wolving phone calls rance (in Japanese). ading — sum often th eight players to a baffles and deters spanese. One or two g hotels (the New xample) have courts are often reserved of time by locals. rate clubs are on the of the city, where little less heavily The nicest and nicet downtown club are to the city of the city. derable Tokyo Lawn s are clay) where the nce and Princess like

es where everything is de, a few embassies arts (one in the British dd. two in the Ameri etimes are avai there is a very long

for foreigners, but

APLES ON GOLD - ANY ROLEX WAT

Versatile, economical. For teeding everything that or garden, greenhouse and LEAFLETS: SAE PHOST

nes of Westhorpe (1)

MAGYAR MERLOT ı≃ "Minoségi Bor" (qual

BY ANDRIANA IERODIACONOU IN ATHENS

THE START of negotiations on withdrawn and warned that Turkey over oil exploration Socialist Government which maining in Nato on condition the future of the four US talks on the bases issue could rights in the Aegean Sea. came to power in 1981 pledg- that the US military presence military bases in Greece has not start unless the issue were Greece blamed Washington ing to close the bases, has said was reduced. the eruption of a diplomatic row betwen Athens and Wash-ington over American allega-tions of Greek Government bargaining with terrorist groups.
According to the Greek
Government, Mr Robert Keeley,
US Ambassador to Athens, "raised issues relating to sup-posed contacts with terrorist groups, with the purpose of avoiding bomb attacks on Greek soil "during a meeting last Thursday with Mr Karolos Papoulias, the Greek Foreign Athens demanded on Saturday that the allegations be

The Danish meat exporters regard the Canadian action as

Terrorism has constituted a par-ticularly raw nerve for the Greeks since 1985 when the US imposed a brief but highlydamaging travel advisory notice against Athens airport follow-ing the hijacking of a TWA jet by Arab gunmen.

Danes seek EC aid in meat row

Denmark has appealed to the EC Commission to support its protests against a ban by Canada on its meat exports.

The Canadian step follows a veterinary inspection of all 34 Danish slaughterhouses. Only two were approved by the Canadians. The rest were said to fall hygiene requirements.

The Danish meat exporters have only approved exports to Europe. It is therefore in the interests of both believe the Canadian action is in retaliation against the EC, whose veterinary inspectors have only approved exports to Europe. It is therefore in the interests of both whose veterinary inspectors have only approved exports to Europe. It is therefore in the interests of both whose veterinary inspectors have only approved exports to Europe. It is therefore in the interests of both whose veterinary inspectors have only approved exports to Europe from a handful of Europe from a

the future of the four US talks on the bases issue could rights in the Aegean Sea.

military bases in Greece has not start unless the issue were received another setback with cleared up. leared up. for having allegedly given A Government spokesman Ankara the "green light" to described the allegation as despatch an oil exploration ves-"ridiculous, unfounded, slan-derous and suspicious." waters.

Fresh row hits talks on US bases in Greece

appeared to be put back on track in a meeting in Reykjarik earlier this month between the Greek Foreign Minister and Mr George Shultz, US Secretary of State, and were generally ex-pected to start last week. It is now unclear when they will Preliminary talks on the bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last week. It is now unclear when they will be bases to decide further negotiating procedure were expected to start last spring.

seven months to iron out any such problems.

the same licence to the Danish

She said Canada should give

it will seek a referendum be-fore finalising a new agreement extending the bases tenure. The

David White adds from Madrid: US and Spanish nego-

BY KEVIN DONE IN STOCKHOLM

THE PUBLIC Prosecutor's

Office in Stockholm has dropped

its investigation of Mr Refaat

el-Sayed, the discredited former

majority shareholder and chief

executive of Fermenta, for alleged insider trading at the

The move by the prosecutor to drop the case is the first positive development for Mr el-Sayed since he was ousted from control of Fermenta, the candal baset antibiotics and

beginning of 1986.

Spanish Foreign Ministry officials said, however, that they espatch an oil exploration vesel into Aegean international bases support the US Sixth accord by November, enabling bases.

The base for the talks activity in the Eastern Mediter.

The base for the talks activity in the Eastern Mediter bilateral defence agreement which expires in May 1988.

The base for the talks activity in the Eastern Mediter bilateral defence agreement which expires in May 1988.

Spain's demands centre on the removal of a tactical air the removal of a tactical air

tiators were believed to have made little progress in two days of high-level talks in Madrid on the future of Spain's clear these would have to be four US military base facilimoved out of Spain and not ties.

It was the sixth such round since last July, in the wake of in the south. A further sesting the referendum held by Spain's sion of talks has been set for Socialist Government for re-

chemicals group, at the end of Mr el-Sayed is still under investigation on several more serious counts, however, includ-ing fraud, book keeping crimes and breaches of Sweden's Com-panies Act.

The Swedish banking inspectorate is also still conducting a much more far-reaching insider trading probe into trans-actions made by a number om Fermenta employees and board

Brazil acts on Sarney attackers

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN Government has reactivated long-dormant police powers to track down those responsible for a violent stone-throwing attack on President Jose Sarney.

The incident, which alarmed senior military ministers for its viciousness, unprecedented in recent Brazilian history, occurred in Rio de Janeiro during presidential visit. A small but highly vociferous crowd demanding economic reforms and direct presidential elections began hurling rocks at short range at a coach carrying the President, smashing the window where he sat and injuring at

Brazil's lack of experience of political violence after 21 years of military dictatorship has provoked a tough response from the authorities, who have now warned that suspects may be held for five days incommuni-cado and could be tried by a military court.

Officials have indicated their suspicion that activists of CUT, the left-wing trade union confederation, and supporters of Mr Lionel Brizola, the former Rio governor, were behind the

Volcker challenges Reagan's policy on budget deficit

WR PAUL VOLCKER, Federal Reserve Board chairman, has directly challenged President Ronald Reagan's policy for tackling the huge US federal budget deficit, and strongly endorsed the tax increase proposed in the Democratic Party's plan for deficit reduction.

Questioned in Colorado about the tax increase of about \$19bn (£11.8bn) contained in the 1983 fiscal year Congressional budget resolution, Mr Volcker said: "I think it will have a wholly constructive influence in terms of the security of the (financial) outlook (and) trade picture."

Mr Volcker, who retires as
Fed chairman in August, when
he will be replaced by Mr Alan

Greenspan, a New York economist said that addressing the budget deficit problem should be "front and centre", on Congress's agenda this summer. "The problem, I suppose, in a democracy all the time is whether you can do enough at the right time in the absence of

campaigning strongly against the tax increase in the Congres-



sional budget resolution. Hi position is seen in part as a reflection of his own deep political convictions about taxes

and government spending.

But it is also part of Republican Party strategy to try to paint the Democratic Party as the party of higher taxes and an attempt to bolster Mr Reagan's own fading political

a crisis. I do not think we can afford to generate a crisis to spur Congressional action, but fiscal policy is expected to besometimes you almost wish that was the case."

prestige.

Over the next few weeks, over the next few weeks, spur Congressional action, but fiscal policy is expected to besometimes you almost wish that was the case." President Reagan has been pass a new law to increase the ampalgning strongly against current limit on the federal he tax increase in the Congres-debt.

regard the Canadian action as an example of the use of Mr Uffe Ellemann-kusen, veterinary regulations for trade benmark's Foreign Minister, said the Canadian action was unacceptable. "I am sure we

I he terms on which my company borrows couldn't be more favourable.

gone and done a most un-bank-like thing.

We've introduced a range of financing methods that are designed to suit the borrower. Not the lender.

We call them our Premier Range. And to a large extent, their terms can be dictated by you, the company director.

Take a look at our Premier Revolving Loan, for example.

It revolves because you can draw on it, pay it back, draw on it, pay it back, and so on, and so on. (In fact, it's like an extended overdraft, though with added benefits.)

Once the basic outline has been agreed, you can even choose your own interest rate options and say how long they will last.

Your borrowing can be base rate linked. LIBOR linked. Eurocurrency linked. Or in the form of acceptances.

Depending on what's most suitable for your needs, you can put together all or any one of these. And you're free to change them during the course of the loan.

We at Lloyds Bank have I Write them, (Of course we'll be only too happy to advise you on these matters at your convenience.)

The minimum you can borrow is £100,000, with no maximum.

So your company doesn't have to be a worldwide conglomerate in order to benefit.

The Premier Range also offers other equally attractive possibilities.

There's the Premier Deferred Loan which allows payment of both interest and capital to be postponed for up to 3 years.

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Hungarians face last days of good life as reform debate rages

HUNGARIANS are enjoying what remains of the good life in spite of the continued slide of the economy and the reshuffling of the leadership under Mr Janos Kadar on

Thursday. But chic fashion boutiques and tables groaning with the choicest of food in Eastern Europe cannot conceal the economic malaise.

Hungary's \$650m balance of payments deficit in the first five

months showed no improve-ment over the same period last year. Net foreign debt is ex-pected to rise to \$8.5bn at the end of this year with debt ser-vicing of nearly \$1bn devouring hard currency export earn-

ings.
While western banks and the IMF continue to express confidence in Hungary, the leader-

would bite deep into the acclaimed Hungarian i of living. Thus a take without a political back-last.

lash.

Already, they have suffered a decline in real incomes since 1979 which, however, has been masked by ancome from the additional jobs Hungarians hold. If all goes well and the advocates of decisive reform have their way, the Hungarian Communist Party next month will present the national with a two-phase reform package. Detalls of the long-delayed "socio-economic programme" are still being thrashed out in the ruling Political Committee.

As outlined by senior party

As outlined by senior party officials and the Government's economic advisors, it would consist of a three-year stabilisation programme, designed to deal with the causes of the economic

At the root of the current economic problem is the inability of Hungarian industry

inability of Hungarian industry to compete internationally. In part, this is the result of subsidising inefficient companies with the tax revenues from profitable firms.

Under the short-term programme, it is envisaged that subsidies would be reduced by 25 per cent annually, and would cease to exist by 1991 except for essential services and the defence sector.

Mr Ivan T. Berend, president of the Hungarian Academy of

of the Hungarian Academy of Sciences and an influential Government economic advisor, said the authorities were now coming to realise that meaning-

coming to realise that meaningful reforms meant that structural unemployment was
unavoidable although everything would be done to limit it.

The second and no less hotly
debated part of the reform
package would consist of major
price and wage reforms to be
implemented in stages by the
early 1990s. A wage reform
based on wider income differentiation—to each according to
his output—has long been
advocated in theory by the party
but never set down as a concrete goal.

The price reform would aim
to achieve more realistic world

to achieve more realistic world market prices, especially for Hungarian producers to force them to compete inter-nationally.

The party leadership has re-sisted proposals by economists to slash subsidies more quickly to stash subsidies more quickly and accept a larger amount of initial unemployment. Hungary's planning chief. Mr Laszlo Marothy, a member of the Political Committee under Mr Kadar said in an interview last week that the leadership could not tolerate an avalanche of not tolerate an avalanche of joblessness. But it realised that



industrial restructuring would ead to employment "problems" in certain areas.

"With the money saved from subsidies," he suggested, "we can create new jobs."
But the backers of decisive reforms argue that inflationplagued Hungarians have grown hostile towards the economic reforms and can only be rallied behind a new reform pro-gramme by measures to democratise Hungary's political

institutions. These would include a new personnel policy. Mr Berend noted, to assure that responsible political and economic positions are filled on the basis of merit and not wire-pulling. He and and not wire-pulling. He and other reformers urge a stronger control over the Government's (and party's) activities by other institutions such as Parliament and the People's Front. They also argue for a greater emphasis on human rights.

We Recent noted that

Mr Berend noted that Gorbachevian reforms in the Soviet Union have paved the way for more radical reforms in Hungary. But in addition, to the innate caution of the leadership, which wants political stability above all, the poor state of the economy is a powerful barrier to meaningful reforms. At present he aring ful reforms. At present he said the deteriorating economy meant that state intervention— "which always runs counter to

meant that state intervention—
"which always runs counter to
reform"— is a necessary evil.
The father of Hungary's
economic reforms, Mr Reszoe
Nyers, noted the Hungarian
leadership was now paying
dearly for its past delays in
pursuing them.

Despite nearly 20 years of
economic reforms which Mr
Nyers initiated, Hungary, he
said, was still left with a
"pseudo-market economy" in
which the Government regulated

which the Government regulated almost everything.

Hungarians, he remarked in an interview, had grown sceptical about their leaders and the closed manner in which decisions were taken. He wondered aloud whether the party had the courage to explain to the population why sacrifices were needed.

FINANCIAL TIMES PHNANCIAL TIMES
Published by The Financial Times
(Europe) Ltd., Frankfort Branch,
represented by E. Hugo, Frankfort/Main,
and, as members of the Board of Directors,
F. Berlow, R. A. F. McClean, G. T. S.
Damer, M. C. Gornsen, D. E. P. Painer,
Looden. Printer: Frankfort/er-SocietiesDruckertel-GmbH, Frankfort/Main.
Responsible editor: D. Albino, Frankfort/
Main. Guiolietts/mase 54, 6000 Frankfort
am Main. 1, © The Financial Times Ltd.,
1987.

1987.
Financial Times, USPS No. 190640, published daily except Sandays and holidays. US subscription rates 5365,00 per annara. Second class postage paid at New York. N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Italy takes step to end exchange controls

TTALY'S CARETAKER Government has taken another step in the country's slow march towards abandoning all exchange controls with draft decrees which would limit the authorities' powers to class of the timetable laid down by a balance showed a deficit of the European Community's internal market—set for 1992.

1.4.11bn (£666m) in May with a 2.5 per cent rise in value of imports and a 0.3 per cent decrees which would limit the authorities' powers to class on the country's trade surplus on the European Community's internal market—set for 1992.

1.4.11bn (£666m) in May with a 2.5 per cent rise in value of imports and a 0.3 per cent decrees which would limit the tellectual consensus in Italy now that evalue of exports.

1.4.11bn (£666m) in May with a 2.5 per cent rise in value of companies will have to fall in the value of exports.

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1.4.11bn (£666m) in May with a 2.5 per cent rise in value of companies will have to authorities' powers to slap on new controls during a currency

Despite some controversy as to whether a caretaker government had the authority, Mr. Mario Sarcinelli, the Foreign Trade Minister, has secured adoption of the decrees by his colleagues on the grounds that

come a thing of the past, the move towards liberalisation is taking place against the back-ground of deteriorating trade and current account balances

framework law passed by Parliament last autumn.

Although there is a solid intellectual consensus in Italy now
that exchange controls must become a thing of the past, the
move towards liberalisation is

Li.91100 (2666m) in May with
for 1992.

Until then, private citizens
and companies will have to
fall in the value of exports.

The country's trade surplus on
mon-oil goods has fallen to
move towards liberalisation is

Li.91100 (2666m) in May with
for 1992.

Until then, private citizens
and companies will have to
channel their foreign exchange
transactions through the authorised banking system and their
freedom to hold foreign ally rule out a recourse to the
actions against the hack. month last year.

freedom to hold foreign exchange will remain limited to

ally rule out a recourse to the recently abandoned non-interest ground of deteriorating trade and current account balances which could put the lira under pressure and complicate the entire process.

According to figures released a number of important exchange controls in May, the fire process.

According to figures released and the fovernment relaxed a number of important exchange controls in May, the new decrees make it clear that a fully liberalised system will lira's difficulties on foreign exchange markets or because of the lira's difficulties on foreign exchange markets or because of ferent exchange rates.

Communists choose Occhetto as deputy leader

the party has not before had such a grandstand row under the polic gaze. It was nexpectedly sparked on Thrsday by Kr Alessandro Natta, the party leader, who announced that he would be nominating Mr Occhetto as vice-secretary— which pts him first in line to take over the leadership whenever Mr Natta, 69, decides to

Although much more indulto be seen whether the party's gent than it once was about tradition of niting behind a depolicising its internal divisions, cision once taken, holds i the case of Mr Occhetto.

The right wing have been badly out-manoeuvred by Mr Natta who forced a leadership decision on the party which many thoght would arrive only after weeks of inqest into the PCI's defeat in the recent general elections eral elections.

The conclusions drawn are and down.

After publicising their highly Mr Occhetto's election as

THE Italian Communist Party (PCI) confirmed Mr Achille Occhetto, 51, as its "leader in waiting" at the weekend after one of the most dramatic public squabbles in its history.

critical speeches, the PCI's deputy leader makes it more right wing maintained their opposition to Mr Occhetto, but their 41 votes on the party's central committee were swamped by the 194 in spport of Mr Natta's choice. It remains of Mr Natta's choice. It remains opening towards the Socialist sharpen its role as a vehicle for political and industrial protest and in opposition to the government of the day. An opening towards the Socialist in the PCI's youth movement opening towards the Socialist in the 1960s, been secretary of its Palermo section in the 1970s and, more recently, been coordinator of the secretariat.

Berlinguer, once he becomes

Long a favourite to succeed Mr Natta, Mr Occhetto is the product of a generation whose careers were moulded by Mr Enrico Berlinguer, the dynamic PCI leader who died in 1984. A short stock man with a mane of brown hair and a greying moustache, Mr Occhetto has long been on the left of the PCI, although he may move towards the centre, as did Mr



Alessandro Natta . . . wins the day on new appointment

Resign call deals blow to Waldheim

AUSTRIAN President Kurt Waldheim received an un-precedented political blow when the powerful Vienna section of the dominant Socialist Party called for his resignation over the week-end, Reuter reports from

Mr Waldheim, 68, has been accused by critics of covering up his role with the German Army in the Second World War and the Vienna regional congress of the SPOe voted to demand his resignation from the office to which he was elected a year ago.

Delegates approved the resolution over objections from the leadership of the SPOe, which rules in coalition with the conservative People's Party (OeVP).

A day earlier Mr Waldbeim returned from an audience with the Pope in the Vatican, which his supporters hoped would end his international isolation since he became head of state.

Mr Waldbeim, the former UN Secretary-General, has been under fire from the United States and other Western countries and Jewish organisations over allega-tions, which he denies, that he concealed his role with the German Army during its Balkans campaign in the Second World War.

Financial aid to Third World falls sharply

resources provided to the developing world but still barely half the 0.7 per fell sharply last year, as higher official aid failed to balance the continued net decline in export.

Only four countries have exceeded the target of applying credits and bank lending.

industrialised nations rose to \$37bn (£23bn) compared with \$29.4bn in 1985, according to figures published today by the Paris-based Organisation for Economic Co-operation and Development

Export credits are no longer a significant net source of development finance, the OECD said, while bank lending to the

official aid failed to balance the continued net decline in export redits and bank lending.

Official aid from the Western ndustrialised nations rose to per cent), the Netherlands (1.0 per cent), Denmark (0.89 per cent) and Sweden (0.85). Trance has reached the target is overseas departs. if aid to its overseas depart-ments is included.

Economic Co-operation and Development.

Most of the increase is due to the depreciation of the dollar, the OECD notes, and after adjusting for exchange rate changes and for inflation the total volume of aid is estimated to have risen by 2.5 per cent.

Mr Joseph Wheeler, DAC chairman, said the committee was pleased that private charitable aid had remained at around \$3bn, and that aid from oil-producing nations, especially Saudi Arabia, had started to pick up again.

Aid from members of the

Aid from members of the Council for Mutual Economic Assistance had risen by an estimated 20 per cent in current dollars to \$4.2bn, he said.

said, while bank lending to the developing countries more than halved last year and bond finance stagnated.

Members of the Development Assistance Committee (DAC), which includes 18 OECD member countries as well as the European Community, devoted a combined 0.36 per cent of their gross national product to aid, lira.

Mr Wheeler said the committee had been startled by the sure in aid from Italy last year. Official Italian aid more than doubled in dollar terms to each even after allowing for inflation and for the depreciation of the dollar against the gross national product to aid, lira.

Scandinavian group signs protocol with Soviet central bank

BY KAREN FOSSLI IN OSLO

BERGEN Bank, Norway's third largest bank, together with its Scandinavian bank partners conscandinavian bank parmers con-sortium of two-and-a-half years —Privatbanken, SE Bank, and United Bank of Finland have signed a "protocol" agreement with the Soviet Union's central bank, Gosbank, and the Russian foreign trade bank.

According to Mr Oddvar Sten Ronsen, representing Bergen Bank's participation in the agreement, "the idea of the pro-tocol is to establish a platform for financial advice to Nordic companies seeking joint ven-tures with Soviet organisations."

Mr Ronsen said that the Soviets have already signed 10 similar agreements with other European banks recently.

Of its Nordic banking part-ners, Bergen Bank is fully accredited for operations in Russia. Mr Ronsen believes that that Bergen Bank was invited by the Soviets to participate in the protocol agreement.

Mr Ronsen says that he does

not foresee expansion beyond the infrastructure which Bergen Bank has already esablished in the Soviet Union. In Sweden and in Finland two ioint venture agreements have already been signed although representatives from banks in these countries were not available for comment yesterday.
"We expect Norwegian com-

panies to come forward to show interest in establishing joint ventures with the Soviets—but it will take some time because the conditions upon which such joint ventures can be estab-lished are not yet documented."

first time at the Tokyo Motor Show in October.

The group is the world's largest producer of heavy vehicles (over 6 tonnes gross

weight) and the Japanese ven-

weight) and the sapaness ven-ture is in line with its philo-sophy of being present in all parts of the world—however difficult individual market con-

difficult individua.

ditions might be.

For example, Daimler-Benz is
the only European company
selling commercial

still selling commercial vehicles in the Far East, an

Japanese producers.

For some time, the company

has been among the leading car importers in Japan, and 18 months ago set up its own com-

mercial vehicle import com-

pany there to look for market niches where it could sell

profitably in spite of being on the Japanese manufacturers'

fitted out as luxury air-condi- Spain.

area dominated by

Daimler-Benz finds

a new Japan niche

the

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ of West Gertioned minibuses. Daimler-Benz many will launch its commerbelieves it can sell about 200 cial vehicles in Japan for the of the buses a year.

Mr Ronson also pointed to the oil industry in which the development of offshore oil and gas fields, especially in the Barents Sea where both the Norwegians and the Russians have just begun to explore, and the development of the Kola peninsula, through joint ven-tures could be another way of

co-operating with the Soviets. "Previously, co-operation was based on exports but it might be that joint ventures could be the new way of co-operation," he suggested.

In this sense, Mr Ronsen said, the Bergen Bank agreement with the Soviets is of particular interest because "we are ready to go into the financial aspects, which is crucial to joint ventures because has questions surtures because key questions surrounding investment will be critical to major decisions."

Organisation of the new co operation will comprise a joint venture working party on finance where members of the Soviet banks and the four Nordic banks will prepare finan-Nordic banks will prepare financial instruments, and analytical tools to underpin these. Meetings are formally scheduled for at least once a year although other ad hoc meetings can be expected. For example, Bergen Bank might have direct bilateral contact with the Soviet banks and the same would go for the other banks in the other countries.

other countries. "I think this development is startling because they (the Soviets) really mean business . . . it is monumental in historical terms," said Mr

In Europe, Daimler-Benz will

launch medium vans from its joint venture with Mitsubishi

of Japan at the end of next year. Versions of the new Misu-bishi one-tonne vans, incorpo-rating the West German group's engines, will be produced by Daimler-Benz's Spanish subsi-

diary, Mr Gerhard Liener, manager

and board member responsible for the commercial vehicle

division, said the vans will be exported from Spain to most

European markets but not the

UK, because there were no plans for right hand drive

versions.
Discussing the deal signed

earlier this week by Volkswagen to produce Toyota pickups in

West Germany, Mr Liener said

he doubted if European tastes would change enough for Europe to absorb the planned

10,000 output.

Daimler-Benz, therefore, had

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Nicaragua plan extended to Latin neighbours LATIN AMERICA'S "integral and floor prices for their main plan" to bail out Nicaragua products, such as coffee, will be extended to the Sandinistas' neighbours in Central Latin American countries are

nistas' neighbours in Central
America, and will possibly being approached to participate being approached to participate being approached to participate, but Latin American diplomats identify France and Spain as two possible and Spain are the spain as two possible and Spain as two possible and Spain are the spain as two possible and Spain are the spain as two possible and Spain and Spain are the spain as two possible and Spain are the spain and Spain are the spain as two possible and Spain are the spain and Spain are the spain as two possible and Spain are the spain as two possible and Spain are the spain as two possible candidates. President Julio Sanguinetti, of Uruguay, held talks in Paris the axis of the plan. Mr de la Madrid is expected to meet here with Presidents Jose recently with President Francois Mitterrand, while Nicara-guan vice-president Sergio Ramirez has just concluded an official visit to Spain. Both countries have played high profile roles in this region before France through its 1981

here with Presidents Jose
Sarney of Brazil and Jaima
Lusinchi of Venezuela in
coming weeks.
Senior Mexican and Latin
American officials, though
acknowledging a setback with
the collapse of the Central
American summit due to have taken place in Guatamala this

before, France through its 1981 joint declaration with Mexico legitimising the Salvadorean in-

cover all Central America, some Latin American officials

believe, will help draw in wider support, both outside and

inside Latin America, where Brazil, for instance, is said by Western diplomats to be wavering.

week, are nonetheless cautiously optimistic about its chances though now more reserved about its timing.

The formal existence of the plan was confirmed publicly for the first time by President the first time by President Raoul Alfonsin after his meeting with President Miguel de la Madrid in the Mexican Pacific coast resort of Ixtapa late last

week.

A senior Mexican official insisted that the plan, conceived to help wean away Nicaragua from its dependency on the Soviet Union, and thereby meet US security concerns in the region is "much more ambitious" than a scheme to provide oil for Nicaragua.

The plan, first mooted by President Alfonsin in August, 1985, was revised after Moscow last month made clear to the Sandinistas it would no longer fully meet Nicaragua's fuel Salvador and Honduras, Washington's Symest allies in the

needs.

The Mexican official said the region, will together receive plan included the possibility of over \$1bn in direct US aid this soft credits, foreign investment funds, preferential treatment tion to Nicaragua is thought to for Central American exports

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Panama recalls envoy

PANAMA has recalled its ambassador to Washington for independent probe into charges consultations, citing US Senate that senior Panamanian mili-interference in its interal tary officers have been linked affairs, Reuter reports from the corruption and other illicit

Panama City.

President Eric Arturo Delvalle's office announced the
"urgent" recall of Ambassador tolerable interference of the
Dominador Kaiser Bazan in a
Senate of the US in the internal
Senate of the US in the internal

statement released on Saturday affairs of the Republic of Pananight.

affairs of the Republic of Pananight.

Argentine currency takes a sudden dive

the austral, fell by 10 per cent against the US dollar on the parallel market in the last three days of last week, after three months of relative

Although efficially illegal, the parallel foreign exchange market operating in Buenos Aires is freely tolerated and is widely considered a harometer of economic stability and public confidence in the Government's policies. Yesterday the official rate for the dollar was 1.784 and the parallel rate 2.20.

The sudden fall in value fol-The sudden fall in value fol-lows a series of mini-devalua-tions of the official rate amounting to 10 per cent over the past month, and a decision by the central bank this week sharply to reduce new issues of government bonds which have been the rage of the local financial markets over the past months.

The bonds are inflation-proofed by indexing either to the consumer price index or to movements in the value of foreign currency bonds which tend to reflect the parallel rate for the US dollar.

wavering.

The central idea, Mexican officials say, is to turn the region into a neutral zone—an idea echoed by President Daniel Ortega of Nicaragua in an interview published this week by the Mexican daily Excelsior.

This idea of "giving viability." Over Australs 1bn (£366m) worth have been issued since their launch in April, and have become one of the principal tools of the central bank in controlling money supply over the past quarter. Accord-ing to local financial experts, the bonds can give a return in real terms of up to 20 per cent

The central bank has given no reason for the sudden re-duction in bond issues, but unofficially it is thought to be due to the mounting criticism of the bank's policy of selling the bonds at substantial discounts of up to 10 per cent to

• Mr Juan Sourrouille, Argentine Economy Minister, has left for the US for talks with creditor banks and the Inter-national Monetary Fund aimed at obtaining the re-lease of loan funds, the semi-official news agency Telam said, Reuter reports from Buenos Aires.

It said Mr Sourrouille Delvaile also called a resolu-tion passed by the US Senate on Friday "inconceivable and unacceptable."

ma." Delvaile said

Panama's powerful military
accused the Senate of medling
in this country's internal affairs
and of serving as what it would urge the Fund to release a \$480m compensatory loan for falling exports as well as the first two tranches unacceptable." and of serving as what it
The Senate approved a non-called a "centre for political
binding resolution calling for conspiracy against Panama." of a standby loan, totalling \$450m.

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Leading Chinese dissident calls Pretoria alters rules for 'genuine democratisation'

BY ROBERT THOMPSON IN PEKING

PROFESSOR FANG Lizhi, the controversial astro-physicist, some times known as "China's Sakharov", has invited further punishment from the Communist Party by calling for genuine democracy in

Prof Fang was accused of inciting the series of student protests that swept China several months ago. He was expelled from the party. dismissed from his post and pilloried by the state-run media.

On returning from a physics con-ference in Rome, the professor said

on Saturday that "democracy" does not belong solely to the West and that without "democratisation" in China "there can be no modernisa-There are many things that be-long to all of us. For example, we

cannot say there is Chinese physics and western physics. There are ba-sic concepts that do not change. I think democracy is one of those ba-

think democracy is one of those basic concepts," he said.

The professor told foreign correspondents that he had advised students not to protest late last year, but challenged the party to move against him by emphasising that he supported the students' calls for many content of the professor was supported the students' calls for many content of the professor was supported the students' calls for many content of the professor was supported the students' calls for many content of the professor was supported the students' calls for many content of the professor was supported the party to move against him by emphasising that he supported the students' calls for many content of the professor was supported the party to move against him by emphasising that he was a supported to the party of the professor was supported to the party of the professor was supported the party to move against him by emphasising that he supported the students' calls for more party officials for not having been together or him.



being a leading "bourgeois liberal". He denied supporting "total Wes-ternisation", but is in favour of opening up the country in "all directions". Prof Fang said he is not clear what the party means by bourgeois liberalism, which has been under attack for several months, and seems to mean "western influence".

Diplomats suspect that the pro-fessor was allowed to travel abroad because the Government is concerned that China will be punished by international scientific bodies if it is seen to be punishing scientists. After Fang Lizhi was expelled from the party, US scientists requested and were given permission to visit him at his home.

However, he was disappointed at being refused permission to attend a major symposium in England: "I think it is a pity that there are no Chinese delegates there."

Asked whether he thought the

student demonstrations have hurt China's reform program by providing Communist conservatives with ammunition against change, he replied: "I don't think so. The student movement has made people more aware of the need for China to

covering detainees

BY ANTHONY ROBINSON IN JOHANNESBURG

In inture they will be treated like gress (ANC) guerrilla movement in-prisoners awaiting trial. They will volving the distribution of thou-be compulsorily medically ex-amined after arrest and before re-lease.

It was reacting to a report in the

They will be segregated from ordinary criminal prisoners and will not be held in police lock-ups for more than 14 days after detention. They will also be allowed to study approved correspondence courses and write and receive censored let-

An estimated 2,000 people are still detained under the emergency. which was extended for another 12 month period on June 11.

Some have now been inside for detention, and the 14 day limitation on detention in police lock-ups appears to be aimed at curbing these

THE SOUTH AFRICAN Government has altered the rules covering the treatment of those detained confirmed yesterday that it had mithant trial and the second trial tri without trial under the state of conducted a propaganda campaign emergency regulations.

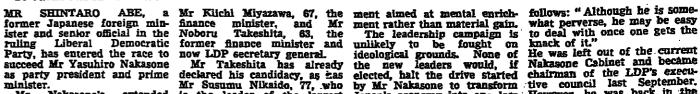
It was reacting to a report in the local Sunday Times newspaper which disclosed the army's role in a supposedly secret operation against supposedly secret operation against the ANC, fighting a guerrilla war against white domination in South Africa.

The Sunday Times said some of the booklets containing gruesome photographs of victims of ANC attacks had burned up in Australian primary schools causes. primary schools, causing an outery.

Confirming its involvement in the project, the South African Defence over a year. Most complaints of project, the South African Desence physical abuse and bad treatment Force said every country had the have related to the initial stages of right to defend itself against atrocing the control of the c ties, terrorism and propaganda.

The aim of the publication was therefore to convey the true nature The changes have received a of ANC atrocities to the outside guarded welcome from civil rights world and to make it widely known lawyers along with calls for the to-tal abolition of detention without other terrorist organisation, it said

Abe challenges for ruling party leadership



within the party for a new who is also a leading member leader is almost certain to be of the Tanaka faction, is held within the next four expected to break away and Mr Abe, 63, is one of the near future.

• Abe (left): energetic

MR SHINTARO ABE, a former Japanese foreign minister and senior official in the ruling Liberal Democratic Party, has entered the race to succeed Mr Yasuhiro Nakasone as party president and prime Mr Nakasone's extended term in office expires at the end of October, and an election within the LDP, the within the party for a new who is also a leading member

set up his own faction in the

who have been waiting for some time to take over from faction on Saturday night, Mr Nakasone. The others are creation of a new Japan."

Abo (1951), created

ideological grounds. None of the new leaders would, if elected, halt the drive started by Mr Nakasone to transform Japan's economy into one less dependent on exports and more driven by domestic demand. On the contrary, they would all probably be more liberal in using government spending
Mr Abe is not known for any

mear future.

Mr Abe made his declaration at a political meeting of his own faction on Saturday night, unveiling a "thesis on the creation of a new Japan," emphasising economic develop-

He was left out of the current Nakasone Cabinet and became chairman of the LDP's execu-tive council last September. However, he was back in the limelight in April, flying to Washington in advance of the Prime Minister's official visit what the Japanese Government had to do to placate an admin-istration and congress that were increasingly enraged about Japan's trade surpluses. The re-

Deng warns Japan of tensions

BY ROBERT THOMSON IN PEKING

must solve several outstanding

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Tension between China and

DENG XIAOPING, the Chinese Japan has risen significantly in said. Japanese Cabinet ministers claiming that "militarism" is that relations between the two countries have developed poorly and warned that Japan Deng was insulted by a senior of the Sino-Japanese war on the rise in Japan and, most planned here in coming weeks to commemorate the beginning of the Sino-Japanese war on the sino-Japanese war on the commemorate the beginning of the Sino-Japanese war on the sino-Japanese war on

> obviously embarrassed his war, guests by noting that some Japanese think "my head is in the clouds" and that "I am an old man": "in China we have a phrase for people like that old muddle-head."

referring to remarks by the Foreign Ministry official, who has since resigned, that he did

"Contacts between our two countries have grown but, frankly speaking, are not so

The Chinese leader was

not have a good grasp of the realities of foreign policy.

satisfying to our side. Japan from Japan, must be solved, could and should have done a but the political problems, such lot more in terms of both the present and the future." Deng more important.

on the rise in Japan and, most recently, complaining that being that to commemorate the beginning. Japanese Foreign Ministry official.

When he met the visiting Japanese delegation in the Japanese officials were attending a conference on the morning, the Chinese leader attending a conference on the

> The Chinese have been irritated by a Japanese court finding that a Chinese dormi-tory in the Japanese city of Kyoto belongs to Taiwan and not mainland China. Deng said yesterday that the Japanese Government must intervene in the case for the sake of good relations,

> Zhao Ziyang, China's Premier, said the economic problems, such as a continuing trade surplus in Japan's favour and the lack of technology transfer

Peking-backed group takes over HK duty-free outlet

Investment Corporation has and he estimates start up costs agreed to pay the Hong Kong at HK\$150m.

Government HK\$48th (2378m) Fr Fu refused to disclose for an eight-year franchise to yesterday which Mainland operate the duty-free outlet at Chinese entities were involved Hong Kong's Kai Tak airport, in Kiu Fat, displacing the Duty-Free shop.

Kiu Fat currently operates are company for the first time. pers company for the first time in 26 years.

Mr John Monteiro, regional president of Duty-Free Shop-pers, at the weekend said he was "astonished and amazed" at the Kiu Fat bid. He pre-dicted that the business would be "extremely unprofitable." Kiu Fat will take over from duty free shoppers on Sep-fember 1. Mr Monteiro said he would unveil future plans early

this week.
Mr Fu Chi, a former actor
who now heads Kiu Fat, insisted yesterday that the opera-

THE CHINA-BACKED Fin Fat will be employed in the outlet,

42 duty-free outlets inside China, and acts as a consultant to the duty-free outlet in Osaka Airport in Japan.

In parallel with the Kai Tak outlet, Kiu Fat plans to open a second duty-fr > store in the centre of Hong Rong, again staffed by more than 200 Under the terms of the fran-

Under the terms of the franchise agreement released on Friday by the Hong Kong Government, Kiu Fat will pay rent of HK\$ 400m in its first year of operation, with this figure rising by 15 per cent a year for five years. It has an option to retain the franchise tion would be profitable, saying year for five years. It has an option to retain the franchise stead be how to ensure he is ready to begin operations on which time the rent will not september 1. About 200 staff be increased.

New Peruvian prime minister named

BY BARBARA DURR IN LIMA

PRESIDENT Alan Garcia of Peru will be minister of health, and Ms has chosen a new prime minister, Mercedes Cabanillas, also an APRA Senator Guillermo Larco Cox, folcongresswoman, who will be minister. lowing four days of deliberations ter of education. They will be the

Mr Larco Cox, who will also hold the post of minister of the presidency, said on being named Friday night that the government would be one of economic austerity and law and order.

Earlier unofficial versions of the

new cabinet had put Mr Luis Neg-reiros, secretary general of the rullutionary Alliance) party as prime minister. But APRA leaders said ercise both his party and govern- phone Company. ment posts.

nominated six new ministers, who that he would not name a chief for are to be sworn today. Among them the new ministry of defence until are two women, Ms Ilda Urizar, an the law regulating the ministry was APRA Congressional deputy, who promulgated.

first women ever to hold cabinet posts in Peru.

Mr Larco Cox also named Gusta-

vo Saberbein, as Minister of the Economy and Finance who has been vice minister of the same portfolio; Mr Jose Barsallo Burga, Minister of the Interior who is currently president of the Peruvian Social Security Institute; Mr Abel Salinas, as Minister of Energy and Mines, the ing APRA (American Popular Revo-current Minister of the Interior and as Minister of Transportation and Communications, retired general later that the party deemed that Mr German Parra Herrera, whos gen-Negreiros could not adequately exeral manager of the Peruvian Tele-

The remaining ministers are to The new premier-designate has be reconfirmed. Mr Larco Cox said

Turkish opposition strengthened

BY DAVID BARCHARD IN ANKARA TURKEY'S main left of centre polit-

ical party appeared slightly streng- feel that the centre-left has been thened yesterday after a three day party congress.
The Social Democracy Populist

Party (SDPP) counts formally as Turkey's official opposition, but its share of the poll has dropped below 20 per cent in recent municipal elec- party. tions, raising questions about its

The party's leader, 63-year old gress after weeks of criticism.

Many Turkish Social Democrats pushed into third place for the first time in Turkish history because of weak leadership. Others blame the former Prime Minister, Mr Bulent Ecevit, who has split the leftwing vote in Turkey by forming his own

Last weekend's congress will please those in the SDPP rank and file eager to maintain unity. Howprofessor Erdal Inonu managed to ever, the party has yet to project itreassert his leadership at the con-self nationally as a credible alternative for Government.

SHIPPING REPORT

Uncertainty about Opec leads to modest trading

tanker markets last week.

The exception was the demand for the very large crude carriers (VLCCs), Several of these vessels were in demand and Galbraith's, ship-brokers, said at the weekend that "owners had gradually got themselves in the driving seat, improving the 250,000-ton rate from the Gulf to the west up to about Worldscale 40 on the July rate schedule."

Earlier, there had been some resistance to vessels being chartered for longer voyages at the come of the Opec meeting would provide a "sound base" for expectations of an active and improving freight market, especially into the last quarter of the year.

A number of tankers were chartered from West Africa, but rates generally weakened to around Worldscale 52.5 to 55.

The Mediterraean and North Sea areas were active last week, with Worldscale 85 the last rate paid for an 80-000 ton vessel from Hound Point to Rotter-

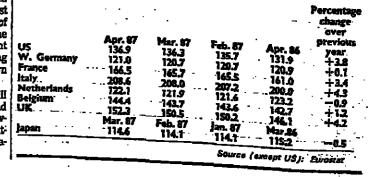
Earlier, there had been some resistance to vessels being chartered for longer voyages at rates then ruling.

The main interest for charterers from the Gulf was again for the VLCC size of vessel, according to E. A. Gibson Shipbrokers. There were still several cargoes outstanding and owners were endeavouring to maintain current rates.

Of the most recent charters,

UNCERTAINTY ABOUT the outcome of the meeting of the Organisation of Petroleum Japan and a 250,000-ton vessel Worldscale 43 for a voyage to Japan and a 250,000-ton vessel Worldscale 37½ to the Red Sea. Galbraith's forecast the outcome of the Opec meeting would provide a "sound base" for ex-

World Economic Indicators



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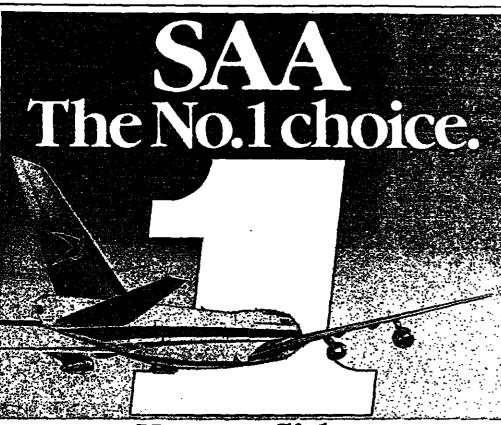
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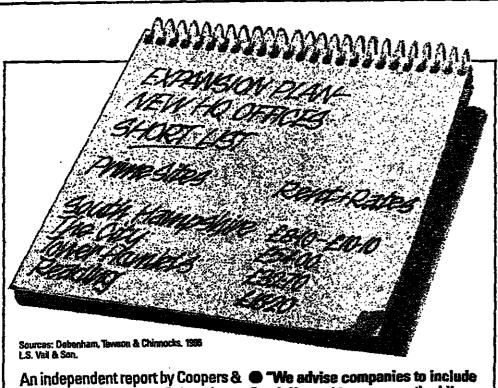
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David Churchill examines a fierce price war among leading tour operators

Cheap holidays tempt winter sun seekers

TOUR OPERATORS, who still have 2m overseas holidays to this summer, have embarked on a fierce price war to sell holidays in the sun next

Thomson Holidays, the market leader, has already been forced to undercut the prices in its winter brochures because of cheaper prices being offered by other operators, Horizon Holidays.

Thomson cut an average of £10 off the prices of 100,000 of its holidays when it found that prices for the same hotels were

Next winter could provide the biggest growth the market has ever seen

Other tour operators are keeping up the pressure on prices. smos last week gave a guarantee of refunding the difference in cost between its winter holi-days and those offered by other

operators.

Cosmos says that many of its winter holidays are a fifth cheaper than last year and it is also offering other benefits, such as free car parking at re-

Tour operators believe that this price competition will lead to a rush to the sun next winter. Mr Paul Brett, managing director of Thomson Holidays, says: "Over 2m people now take a winter holiday abroad and with prices so low we pre-dict that next winter there will be the biggest growth this

market has ever seen."
His view is backed up



Lunn Poly, one of the leading do not guarantee a good season. travel agency chains. Mr John Last autumn, for example, saw MacNeill, managing director, record bookings for holidays says: "Winter bookings are exceeding all expectations. We may the strength of bookings sold over 6,000 holidays in the fizzled out, leaving some 2m fizzled out, leaving some 2m summer holidays still unsold. first three days since we intro-duced early booking discounts, compared with 2,000 over the

However, the travel trade is summer one. Many of those, well aware that early bookings for example, who go on winter

holidays have already had at least one other holiday. They grade hotels or self-catering in order to keep down prices.

only have steadily rising disposable income but also increased leisure time in which to take holidays. to take holidays.

are an important growth sector of the winter holiday market. Summer holiday this year, of the winter holiday market, because the operators have cut. "Our Young at Heart holidays, aimed at the over 55's, grew by more than 100 per cent last year," says Mr Nick Roberts, The key attraction for winter product research at Thomson, and the same of the same at the same of sector. Thomson, for example, is also offering long-stay mediteranean holidays for about \$2 a day this winter.

Skiing is another winter holiday sector showing rapid growth. Always a traditional winter pastime for a minority of Britons, it is increasingly seen as an activity holiday appealing to many who had previously considered it as having a too up-market appeal.

British Airways' Enterprise holiday subsidiary, for example, said yesterday that so keen are some sklers becoming that it has been taking bookings for next winter's skiing holidays since

Mr Nick Wood, senior manager with Enterprise Holidays, says: "We have been quite taken back by the level of

Overseas winter package holi-days really started to take off after a change in 1972 in the regulations governing the price and shape of holiday packages. As with the summer package holiday market, the winter Even so, the winter holiday market is dominated by Thom-market has significantly differ-son, Intasun, and Horizon.

Manga Club travel operation, take holidays.

believes that "so many people
The over-55s, in particular, will be disappointed by their

product manager at Thomson holidays, not surprisingly, is Holidays responsible for this sunshina. Most holidaymakers go to the Mediterranean.

Demand is growing for more exotic and distant holiday locations

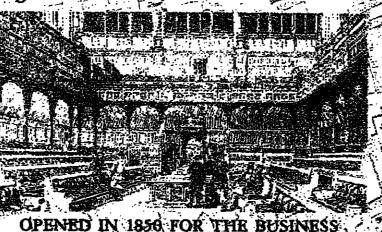
Increasingly, however, there is a growing demand for more exotic destinations, especially the Caribbean and Australasia. A popular destination with British holidaymakers to the Caribbean is the Heywoods Hotel complex on Barbados, which is owned by Copthorne Hotels, part of the British Caledonian group.

Caribbean cruising is also growing in popularity. The Royal Caribbean cruise line, for example, is launching its Sovereign of the Seas line:

this winter.
"We have timed this to take advantage of the growing trend for people to take more holidays, further from home, at summer months," says Mr Jennifer Brown, Royal Carib One factor that may boost marketing in Europe.
winter holidays has been the policy this summer by these ship to be sold out," she adds.

In 1850, after a fire bad taken its toll, Sir Charles Barry's magnificently re-designed House of Commons opened its doors to 658 MPs

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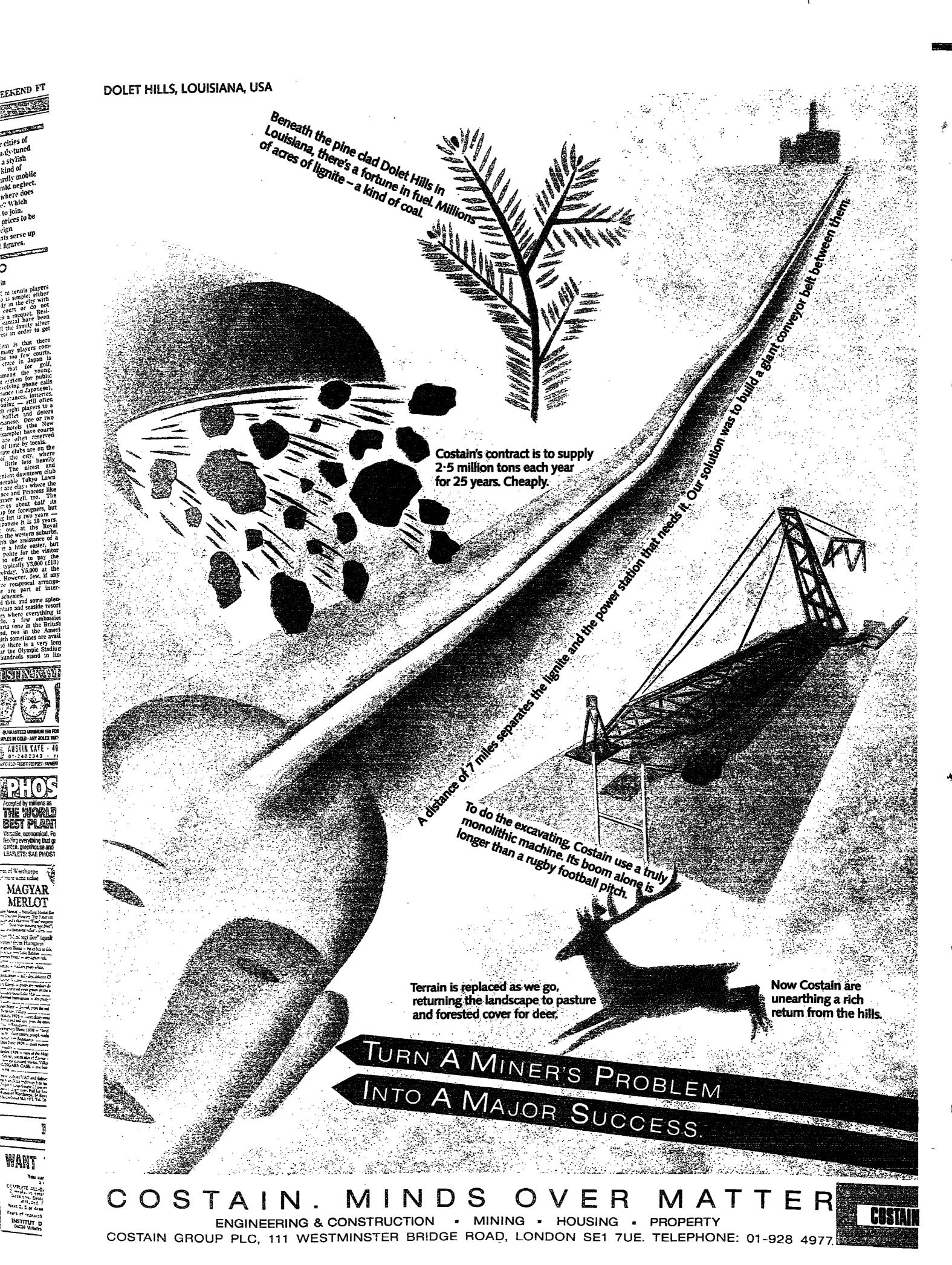


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UK NEWS

Treasury maintains need for spending restraint

BY PETER RIDDELL, POLITICAL EDITOR

spending plans, that it was deter- and other social policy areas. mined to maintain restraint, even on priority programmes such as vative manifesto contained radical

Secretary to the Treasury, when he reiterated the Government's object no blank cheques. It has never tive of reducing public expenditure as a share of national income.

We shall not allow ourselves to be deflected by any post-election euphoria from this task," he said. His speech, in his Huntingdon constituency, was intended as a ferred to performance targets, val-warning shot across the bows of ue for money, greater encourage spending ministers as they finalise ment of choice and whether an ac-

There is a desire in the Treasury to damp down any feeling of relaxation in Whitehall over spending targets in the light of the large in-

sales campaign for Hyundai cars from South Korea is to last until at

The campaign, which was three

weeks old on Thursday, has been

successful with only one car re-

turned out of 520 sold so far this

month, said Mr John Bell, sales di-

least the end of August.

money for next year and later.

ministers, currently drawing up a greater priority to the inner cities Mr Major noted that the Conse

housing, education and inner cities.

Mr John Major gave this warning and the regeneration of inner cities, in his first keynote speech as Chief but added it was clear from the but added it was clear from the Queen's speech that "there can be solved problems in the past. It will not in the future."

Mr Major stressed that detailed plans in these areas would be subject to the same searching examination as other programmes. He re-ferred to performance targets, valtheir bids this week for additional tivity needed to be conducted in the public sector at all

"We must not let the growing strength of the economy delude us into thinking that restraint of pubgets in the light of the large in-ic expenditure is unnecessary, for crease in the medium-term totals it was that restraint that produced

Hyundai to continue cash-back offer

Mr Bell said it had not yet been

possible to assess precisely how

many extra sales had been generat-

ed by the campaign. However, he

than expected and we're pretty

d with the increased interest,

ternational Motors group.

A MONEY BACK if dissatistied dai Car Distributors (UK), a wholly-

THE TREASURY yesterday gave announced last autumn and the rethe strength of the economy," he the first public warning to Cabinet cent talk by ministers about giving said.

His objectives as Chief Secretary would remain reducing taxation and holding down public sector bor-

Treasury ministers have been careful to qualify the election promise of cutting the basic rate of income tax from 27p to 25p in the pound by saying it would happen when prudent"

The main departmental spending bids will be submitted over the next few days. In spite of the disruption caused by the election, the usual timetable will apply with the full Cabinet discussing the economic and public spending outlook in the second half of next month.

This meeting is likely to reaffirm existing spending totals as the goals to work towards. Then there will be bilateral discussions be-tween Mr Major and spending ministers getting under way in earnest

Under the scheme, customers not

chase have the option of returning the car to the dealer for a full re-

fund, provided this is done within

seven days of delivery.

It must also have covered less

The campaign is expected to pro-vide an extra boost to sales

apart from fair wear and tear.

"We're a long term business."

Caradon emerged after a 1985 management buyout from Reed International and has four divisions n bathroom products, showers plastic waste and rainwater sys-tems, and plastic mouldings. Operating profits have risen from £9.7m after the buy-out to £16m in the year to the end of March 1987. Proceeds of the issue of new shares, which comprise 25 per cent of the enlarged equity, will be used to repay loan stock and preference

shares issued in connection with

Caradon new issue attracts £1.36bn

By Steven Butler

THE POPULARITY of new issues was demonstrated once again at the weekend, with the announce of a massive oversubscription of Caradon, the building products company that manufactures Twyfords sanitaryware and Mira show

Some 117,000 investors put up Cl.36bn for the £33.6m issue, an oversubscription of 39 times. Share allocations will be heavily scaled down at all levels.

"I don't know if it has to do with the issue itself," said Mr Peter Jansen, managing director, attributing part of the response to current exuberance in the market for new is

He denied that the issue may have been underpriced at 250 per share, giving it a pro-forma historic p/e of 14.5, which is modest by the standards set during recent flota-tions of Tie Rack and Sock Shop.

were priced at the right level," said

and the low rate of return." Car sales set to top monthly record

owned subsidiary of the private in- entirely satisfied with their pur-

said: The response has been better than 500 miles and be undamaged

BY JOHN GRIFFITHS

boom in August is likely to set a record and could even lead to the 400,000 units threshold being crossed for the first time in a single month, according to the July issue of Glass's Guide, the motor trade monitoring publication.

In August, a new prefix is introduced to car registration plates de-noting the year of manufacture. On paper, a car registered in August is one year "newer" than a car li-

However, there are unlikely to be

even to favoured fleet customers, proach to production. warns the guide.

Earlier this year, Glass's had centives as a result of manufactur-

However, producers like Vaux-hall and the Rover Group have re-balf has also led Glass's to revise

THE EXPECTED new car sales any major sales incentive pro- sales. Ford, despite consolidating grammes because of a current its position as market leader, has shortage in supplies of new cars, also taken a more conservative ap-As a result, certain versions of

the Ford Sierra, Vauxhall Cavalier forecast a return to heavy sales in- and Montego are in short supply. There is every reason to believe ers over-supplying the market in that last year's August record of their pursuit of increased market 382,000 sales will be beaten, according to the guide.

duced output and lost market share upwards its total sales forecast for rather than make unprofitable this year to 1.9 m, which would be a

record for the third year in a row. In March, Glass's had suggeste a likely outurn of over 1.88m. imply ing a slight fall compared with the 1986 record of 1.88 m.

Sales figures for the first 20 day of June show a further increase o 8.64 per cent compared with the same period a year ago. They brought the year-to-date total to 955,374, up 3.77 per cent on the year-ago period. If his percentage increase were to be sustained for the rest of the year, the market



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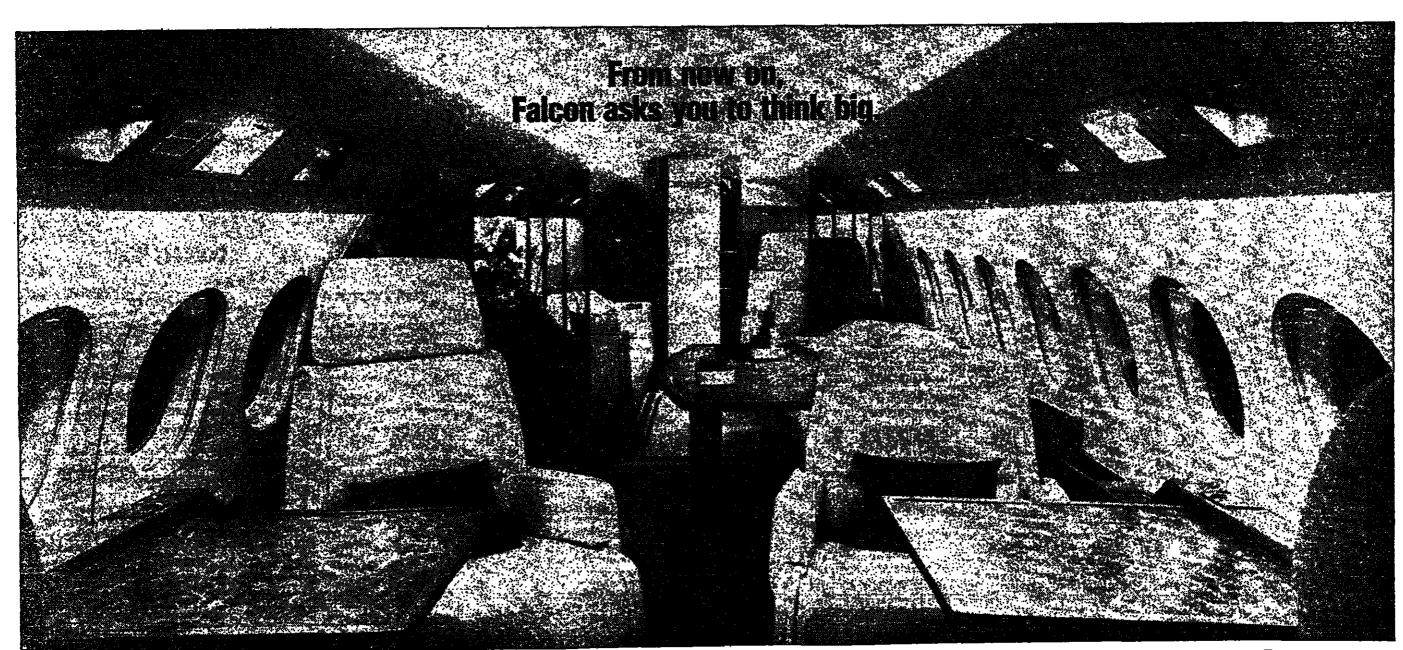




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UK NEWS

Michael Cassell looks at the crisis in Britain's newest political party

Alliance fights for its life

THE next round in the light for the future of the Social Democratic Party (SDP) - Liberal Alliance ormed to break the mould of British politics but now threatening to inflict mortal wounds on itself rather than on its its opponents - will be staged today.

The political partnership which, less than three weeks ago, was confidently, if not convincingly, talking of holding the balance of power, is now locked in a remarkable, pub-licly-staged power struggle of its

The outcome will determine whether or not the partnership can survive much beyond the summer. The post-election battle has brought to a head a fundamental difference of opinion within the party leaderships over the future structure of the Alliance. It has also exposed a series of personally bitter divisions within the SDP, based on a factionalism which dates back to the first leadership election of 1982 and, a year later, the joint selection of

The inevitability of the debate and the need for changes to the ex-isting Alliance structure have been ngly accepted by both parties. But the speed at which the pressure for change has accelerated has surprised and alarmed many activists and led to accusations and counter-occusations over responsibility for forcing the pace.

On Friday, Mr David Steel, the Liberal leader, again spelled out what he sees as the stark choice between union or separation and the need for a specy resolution to the is-sue. He has left his own supporters and 7.3m voters - in no doubt about his own preference for a complete union, in which both sides sac-rifice their own identity in return for a vote-winning political reincar-

Today, it will be the turn of Dr David Owen, the SDP leader, to reaffirm before a meeting of the party's national committee his outright opposition to any new Alliance framework which wipes the SDP off the political map. Over the weekend, he made it clear that any Alliance merger in the medium-term, would have to take place

cilable. But although the philosophical split might appear unbridge-able at the highest levels of the Alli-



Mr David Steel

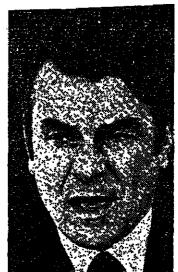
the last few days are likely to prove

Dr Owen is said by the pro-merg-er faction within the SDP to have applied pressure to his four parliamentary colleagues by threatening to resign. The support of some of them, the argument goes, is only se-cured because of his threat and the consequent undermining of their own political positions.

But a vote by the SDP member-ship for full union with the Liberals could see a swift rethink of their an-ti-merger stance. Evidence suggests that, within both parties, there is a clear majority in favour of such a move. The pro-merger camp within the SDP claims support among rank-and-file members is running 2-1 in its favour, providing the options confronting them are laid out

But as both party leaders have ophasised, the fate of the Alliance will have to be decided by the re-spective party membership in bal-lots to be conducted during the summer. Today's crucial meeting of the leadership is expected to vote on the options to be put on the bal-

Despite last-minute calls for a change of heart and timely reminders of grass roots opinion, a reso-lute Dr Owen seems certain to put his full weight behind the recommendation of two of his MPs, Mr Robert Maclennan and Mr John Cartwright. They believe the SDP



but one which preserves the SDP as

a separate party.

Their highly controversial alternative, which has been attacked by the pro-union lobby within the SDP leadership for being emotively loaded against a merger, talks of the abolition of the party. Behind their case lies a belief

that the SDP has proved a necessary catalyst in the realignment of British politics, together with an understandable wish not to see a party of five MPs and 60,000 mem-bers. They insist that any new framework must, at least for the present, retain the SDP's distinctive identity.

The anti-merger camp acknowledge that changes are essential so that the partnership can establish better-defined priorities and go on to produce a more clearly focussed, joint programme for government.

Any new framework, they say, should include a procedure capable of allocating by January 1989 parliamentary seats for the next gen-eral election, as well as broad agreement on priorities for the campaign. They also want to see a mechanism for electing a single Alliance leader in place by January

be shared by founder members like Mrs Shirley Williams, the SDP president, Mr Bill Rodgers and Mr Roy Jenkins, they believe full and early union represents the only mechanism which will work and which, in the eyes of a confused and ance hierarchy - and particularly should negotiate a closer, constitu-unconvinced electorate, will restore ming twithin the SDP leadership itself - tional framework for the Alliance, political credibility to the Alliance. _ based.

tions between Mrs Williams and Mr Des Wilson, her Liberal counter part, were designed to try and strengthen the hand of the premerger camp, which will fight at today's meeting for a less strident, more conciliatory option which can also be put to the Liberal member-

Win or lose, both Liberal and promerger members of the SDP leader ship will mount a campaign to give a warning that the Alliance will collapse unless it proceeds quickly to

The Williams motion would ask whether members are in favour of negotiating a closer association between the two parties and then inquire whether they should talk on the basis of retaining separate in-dentities and organisations or on the basis of forming a new party.

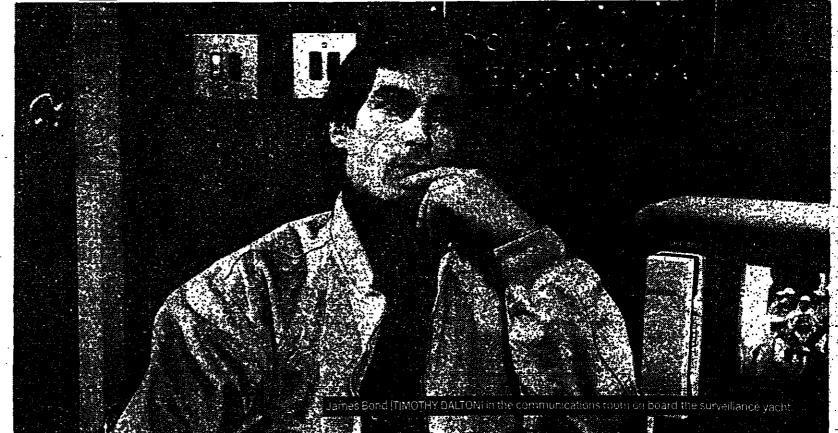
Her call for a common set of principles, a single democratically elected, policy making structure and a one-member-one-vote consti-tution fit in neatly with the guidelines spelled out on Friday by Mr

dent that the anti-merger ballot recommendation will today be accepted by a majority of the national committee and that party members will August have made their views known, Mr Maclennan stresses that the exercise is consultative but be-lieves it will be conclusive.

The SDP leader's inseparable link with the "anti-abolition" wing of the SDP inevitable means he will be asking his membership to back him and the concept of a separate SDP or telling him to depart, albeit with his political principles intact. It is a choice they will not want to make, but one which their leader appears determined to impose upon

If Dr Owen wins, his opponents within the party can be expected to withdraw from the scene or perhaps join the Liberals. He will have a mandate to re-open talks with the Liberals about some form of continuing programme of co-operation.

The present Liberal leadership appears as diametrically opposed to that prospect as Dr Owen is against a full merger. Give its numerical superiority and the apparent interparty majority in favour of total union, it looks as though Mr Steel's confidence about eventually winunconvinced electorate, will restore ning the fight might be soundly



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Earnings pace fuels inflation worries

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

tight monetary policy will ensure

between wage rises and inflation.

larger services sector, however, is

considerably weaker, while earn-

ings are rising only fractionally less

fast than in manufacturing. So for

the economy as a whole productivity gains average only about 2% per

The second warning signal comes

from the buoyant rate of monetary

growth in the economy. The broad

money supply measure, M3, once the centrepiece of official policy but

now dropped by the Treasury as a

target, has been expanding by near-

ly 20 per cent a year, while bank credit has been increasing by

£2.5bn a month. House prices, an-

other classic indicator of a potential

inflationary build-up, have also

From this Mr Tim Congdon, an

been rising sharply.

THE CENTRAL pledge in the Conservatives' general election manifesto was that it would not be content until Britain had stable prices with inflation completely eradicated. London's financial markets have still to be convinced.

Amid the City of London's postelection jitters, worries about inflation prospects have begun to resur-

Behind the concerns have been booming credit, soaring house prices, buoyant wages, and strong growth in output. The message is that the Treasury may have won the most recent battles against accelerating price rises but that the war is far from over.

Few, if any, City economists be lieve that there is an imminent risk of a renewed inflationary spiral. The consensus among independent forecasters points to an annual rate of retail price inflation of 3.9 per cent in the fourth quarter of 1987, fractionally below the present rate of 4.1 per cent.

The problem, according to the forecasters, is that that will represent a temporary dip. The pace of price rises will then accelerate again to 4.6 per cent by the end of 1988.

That worry is compounded by a fear that the risks, in market jargon, are "on the upside": if the cen-tral forecast turns out to be wrong, the chances are that actual inflation will be higher rather than lower.

Mr Nigel Lawson, the Chancellor of the Exchequer, can claim justifiably that most economists in the past have tended to be too pessimis-tic. They have underestimated his determination to head off an upturn in prices by, for example, raising in-

terest rates. The latest concerns, however, are not without substance. The first worry is the rate of earnings growth, which has been running at an annual 7% per cent and, within the last few weeks, has shown some signs of accelerating.

A surge in manufacturing output, strong corporate profitability and evidence of some capacity constraints are seen to have heightened the risk of a bout of "wagepush" inflation.

The Government's economic strategy assumes that high wage awards will translate over the medium-term into falling employment Messel, concludes that Britain is

to the boom of the early 1970s. Unless the Government raises in-terest rates, the result will be a rapid acceleration in inflation,

That view is at the pessimistic end of the spectrum, but concern about the potential if not actual implications of monetary and asset price trends has persuaded the Bank of England to put the brake on further falls in borrowing costs.

Thirdly, the international environment is no longer as favourable to the process of disinflation. Oil prices have stabilised and could edge higher, the fall in most commodity prices appears to have lev-elled off, and inflation in other industrialised nations is on a gently rising trend. The arguments, however, are not all on one side.

that producers cannot pass on high-Monitoring of private sector pay er wage costs to consumers. As the accompanying chart shows, how-ever, there is a close short-term "fit" tion of British Industry and the Treasury suggest that if anything they are now running slightly be-In manufacturing, the impact of low last year's levels - at perhaps 5 earnings growth on unit wage costs rather than 6 per cent. Buoyant has been offset substantially by earnings growth may thus reflect productivity gains. Underlying overtime payments rather than a growth is manufacturing productiv-

general upturn in wages pressure. ity is running at between 4 and 4% A recent analysis by James Capper cent a year, but because of fa-vourable cyclical factors the in-that worries that the economy is in crease since the start of 1986 has danger of "overheating" because of been over 6 per cent. That has capacity constraints and skill short-

pushed down the annual increase in ages are exaggerated, unit wage costs to about 1 per cent. The experience of the last few years also suggests that financial innovation and liberalisation have Productivity growth in the much made the links between monetary growth and future inflation more tenous than ever. The build-up of liquidity in the economy would be a risk in the event of an external inflationary shock - a sudden fall in cent a year, leaving a "core" rate of the value of the pound, for example labour cost inflation of perhaps 4% - but does not necessarily represent a danger in itself.

And if the international environ ment is not as favourable as hitherto, the sluggish pace of growth in most other industrialised countries suggests that the threat of much faster imported inflation is small.

Overall, the conclusion might be that - provided that the Government does not relax its anti-inflation policy - the task of holding inflation at close to, or a little above present levels should not be insu-

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by civil servants which is due to end

Twenty specialist programmers are to start work at the Department

of Realth and Social Security's

North Fylde Centre today as about

300 civil servants on strike there

and at three other centres start to

to assist

welfare

By John Gapper

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of

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June 29, 1987

'To the Holders of 7% Convertible Subordinated Debentures Due 2001:

1 NOTICE IS HEREBY GIVEN that Burlington Industries, Inc., a Delaware corpor. ation (the "Company"), has called for redemption on July 29, 1987 (the "Red emption Date"), all of its outstanding 7% Convertible Subordinated Debentures Due 2001 (the "Debentures") at the redemption price of 108 percent of their principal amount. The redemption price for each \$1,000 in principal amount of Debentures is \$1,080.00, plus \$68.83 in interest accrued and unpaid to the Redemption Date, for a total redemption price of \$1,148.83 per \$1,000 in principal amount of Debentures (the "Redemption Price"). The Redemption Price will be due and payable on each \$1,000 in principal amount of Debentures on the Redemption Date. On and after the Redemption Date, interest on the Debentures will cease to accrue and the holders of the Debentures will not have any rights as such holders other than the right to receive the Redemption Price, without additional interest, upon surrender of their Debentures, together with all coupons, if any, for interest appertaining thereto maturing after the Redemption Date.

The holders of the Debentures have the right to convert their Debentures into Common Stock of the Company, \$1.00 par value per share, at the conversion price of \$46.00 per share of Common Stock. So long as the market price of the Common Stock of the Company is \$52.85 per share or higher, holders of Debentures will receive, upon conversion, Common Stock (and cash in lieu of any fractional shares) having a greater market value (without taking into consideration sales expense) than the cash they would receive upon redemption. No adjustments in respect of accrued interest will be made for holders on conversion of the Debentures. No fractional shares are issuable upon conversion. The Company will make an adjustment for any fractional share interest in cash equal to the current market value of such fractional share interest computed to the nearest cent on the basis of the reported last sale price regular way of the Common Stock or, in case no such reported sale takes place on such day, the average of the reported bid and asked prices regular way of the Common Stock, in either case on the New York Stock Exchange on the last trading day prior to the date of conversion.

As an alternative to redemption or conversion, holders of Debentures may sell their Debentures through customary brokerage facilities.

On May 20, 1987 the Company entered into an agreement ("Merger Agreement") pursuant to which BII Acquisition Corp., a Delaware corporation organized by Morgan Stanley Group Inc., will be merged into the Company. The Merger Agreement, as amended, provides that the holders of Common Stock of the Company will be entitled to receive, in exchange for each share of Common Stock, \$78 in cash. The consummation of the merger, which is subject to certain conditions, is expected to occur in late July or in August 1987. If the Merger Agreement is terminated or for any reason the transactions contemplated thereby are not consummated, the price of the Company's Common Stock could be materially adversely affected.

In order to be converted into Common Stock, the Debentures must be presented, surrendered, and received before the close of business at the place of conversion on July 29, 1987, together, in the case of Debentures in bearer form ("Bearer Debentures"), with all coupons for interest appertaining thereto maturing after such date, to any of the following conversion agents: (a) Bankers Trust Company, Payment and Exchange Services Division, 123 Washington Street, New York, New York 10015, U.S.A. (b) Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE, England, (c) Banque Indosuez Belgique (formerly Banque du Benelux S.A.), rue des Colonies 40, 1000 Brussels, Belgium, (d) Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg, Grand Duchy of Luxembourg or (e) Credit Suisse, Paradeplatz 8, 8021 Zurich, Switzerland.

In order to be redeemed, Bearer Debentures, together with all coupons for interest appertaining thereto maturing after the Redemption Date, must be surrendered at the specified offices of any of the following paying and conversion agents: (a) Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE, England, (b) Banque Indosuez Belgique (formerly Banque du Benelux, S.A.), rue des Colonies 40, 1000 Brussels, Belgium, (c) Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg, Grand Duchy of Luxembourg or (d) Credit Suisse, Paradeplatz 8, 8021 Zurich, Switzerland. In order to redeem registered Debentures, such Debentures must be surrendered at the Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, Payment and Exchange Services Division, 123 Washington Street, New York, New York 10015, U.S.A., or, at the option of the holder, at the office of any of the paying agents named above, subject to applicable laws and regulations.

June 29, 1987

By Burlington Industries, Inc.

US fund views network TV with appreciative eyes changes in

BY RAYMOND SNODDY

finds it difficult to be too complimentary about the production values of the programmes he sees on the British television screen. From the slick camera angles at sporting events to the quality of the acting and interviewing techniques, he says quite simply: "It's just superior to every other television I have ever

Mr Raphael is, however, no ordi-nary viewer and what he admires most of all about British television is the price/earnings ratios of the commercial television companies.

Over the past year Mr Raphael, portfolio manager for Soros Fund Management, an offshore fund with investments of \$2.2bn (£1.4bn) and a reputation for growth, has built

The fund began investing in British television a year ago and Allan ny, but sold because of the company is involvement in direct broad-sult. An investment of \$22m has already turned into a stake worth

Soros has a 7.2 per cent stake in TV-am, the commercial breakfast station, but the Independent Broad-casting Anthority will only allow him to vote with 1 per cent of his shares because it is non-European Community ownership.

Despite the restrictions, Soros

has built up shareholdings of less impressed than 5 per cent in everything from for television four of the "Big Five" network companies — Yorkshire, Central, companies.

up stakes in nine of the 16 commercial television companies in Britain.

Thames and London Weekend.
It also has a stake in Grand It also has a stake in Granada, the other national network compacasting by satellite, a concept which

has been a disaster in the U.S. Last year's flotations of TV-am, Thames and Yorkshire focused the attention of Mr Raphael, a former stockbrocking analyst before he moved to Soros three years ago, on the UK television market.

Apart from growing confidence in Apart from growing connoence in the UK economy, Mr Raphael was impressed by the strong demand for television advertising time and the quality of the new breed of com-mercial managers in many ITV

The consultants will help prepare for the switch from Family Income Supplement to Family Credit after delays caused by the 11-week strike at four centres as part of the cam-

return to work.

paign of disruption over pay. Work at one centre on the planned move from supplementary enefit to the new Income Support Scheme has also been seriously affected by the strike of programmers belonging overwhelmingly to the Society of Civil and Public Servants, which has now suspended its

action. A spokesman for the Department said that it was committed to imple-ment the Social Security reforms by next April and would do so what-

ever the method chosen. About 125 Customs officers working on export clearance at 12 depots

IBM 'runs computer checks on staff'

BY PHILIP BASSETT, LABOUR EDITOR

IBM UK, the British arm of the over the telephone. world's largest computer company, which is predominantly non-union, uses the services of the Economic League, a free enterprise organisa-tion which provides information to

companies on potential employees. that IBM UK paid £5,000 to the Eco-nomic League for services provided by the organisation in meetings and

2,000, mainly corporate subscribers, on people who the League considers to be politically subversive.

illegally using police criminal re-Much of the league's work in-cords as part of its vetting proce-dures. The police were unable to

The link between IBM and the to be politically subversive.

Economic League, which regards many prominent trade unionists as Hurd, Home Secretary, ordered a police inquiry into the league's affairs following allegations in a television programme that it had been software industry.

have returned to work.

FT LAW REPORTS Judgment debtor must reveal foreign assets

INTERPOOL LTD v GALANI Court of Appeal (Lord Justice Lloyd and Lord Justice Balcombe); June 23 1987

A JUDGMENT debtor who is ordered by the court to sub-mit to examination as to his means is obliged, if asked, to answer questions and produce documents relating to his assets abroad.

The Court of Appeal so held when dismissing an appeal by Mr John Anthony Galani from a decision of Sir Neil Lawson, sitting as a Queen's Bench judge in chambers, that Mr Galani was obliged to answer questions relating to his assets abroad for the purpose of satisfying a judgment obtained against him by Interpool Ltd. Order 48 rule 1(1) of the Rules of the Supreme Court provides: "Where a person has obtained a judgment . . . for the payment . . . of money, the court may . . order the judgment debtor . . . to attend before such master . . . as the court may appoint and be orally examined on . . . (a) whether any . . . debts are owing to the judgment debtor, and (b) whether the judgment debtor has any . . . property or means of satisfying the judgment . . . and the court may also order

. . . relevent to the questions LORD JUSTICE BALCOMBE, giving the judgment of the court, said that on August 11 1978 Mr Galani, a Greek citizen living in France, guaranteed monies due to Interpool, a US company, from Liberian, Greek and French shipping

the judgment debtor . . . to produce any books or documents

In 1985 he came to live in North London, and still lived there with his wife and children.

judgment was registered as a judgment in the Queen's Bench Division pursuant to the Foreign Judgments (Reciprocal Enforcement) Act 1933. The amount for which judgment was entered was \$13,742,909, equivalent to £9,161,939. Mr Galani did not contest the registration or the

validity of the judgment.
On July 30 1986 an order was made for oral examination of Mr Galani unider Order 48 of the Rules of the Supreme Court Examination began on October 16 before Deputy

Master Rose. Mr Galani objected to his assets within the juris-diction of the court. The Master referred an issue to the judge in chambers in the following terms: "Is the judgment debtor obliged to answer any question as to ... property or means of satisfying the judgment which are not within the jurisdiction ... or to produce any books or documents

On May 9 1986 the Paris

companies in which he had interests.

On October 21 1985, Interpool obtained judgment on the guarantees against Mr Galani in Paris, his place of domicile, In 1985 he came to live in North London, and still lived there with his wife and invised interest. jurisdiction.

Mr Jones for Mr Galani argued: (1) the court did not exercise extra-territorial juris-diction; (2) the court would not enforce its judgments by execution, save as to assess within the jurisdiction; (3) Order 48 was merely part of the machinery for enforcement of judgments — accordingly any examination under the Order was limited to assets within the jurisdiction.

While the first proposition was true as a general proposition, the second required careful examination, especially in so far as it related to garnishes proceedings and charging

The decision in Richardson [1927] P 228 that there was no jurisdiction to garnish a debt which was not recoverable within the jurisdiction, was no longer good law—see SCF v Masri (No. 3) [1987] 2 WLR 81 95, 96 and Deutsche Schattbau v Rakoil [1987] 2 FTLR 17.

If the court had jurisdiction to garnish a debt recoverable to garnish a debt recoverable outside the jurisdiction, even though as a matter of discretion

duce any books or documents though as a matter of discretion ... relevant to such questions?"

Sir Neil Lawson answered in the affirmative, in favour of Interpool. Mr Galani now appealed from that decision.

Order 48 was part of a group of Orders, comprising Orders 45 orded that a charging order to 52, prefaced by general words "Enforcement of judgments and orders." It con-

more restrictive limitation should apply to that type of asset than applied to a debt liable to execution under Order 49. There should therefore be jurisdiction to charge an interest under a foreign trust. In any event it might be necessary to have an examination of the judgment debtor to find out the nature and extent of his interest, to see whether it was a

foreign trust and if so, whether the court should in its discretion make a charging order. Far from there being justtiffcation for limiting the operation of Order 48, as was submitted for Mr Galani, there was every reason for giving it the wider meaning for which Interpool

The provisions for the reciprocal enforcement of judgments between states were continuous ly expanding. It was consistent with that pattern of legislation that the judgment creditor should have available to him a which he could utilise to find out whether, in default of English assets, there were foreign assets available to satisfy his judgment. The use of Order 48 for that purpose was not "regulating the conduct of the judgment debtor abroad" so as to be contrary to the principle in *MacKinno*

Lufkin [1986] 1 FTLR 123. The judge came to the correct decision. The appeal was dis-

For Mr Galani: M. E. Jones (Coward Chance). For Interpool: Jeffrey Gruder (Birkbeck Montagu's).

By Rachel Davies

Developers vie for business village

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

A planning application for the village, which would be called Swansley Wood, has been submitted to the Cambridge. The county planners South Cambridgeshire Council by first thought that two new villages the Richard Wood Partnership, a town planning and surveying prac-

The submission has been timed mate to one which would be situat-

country park has been proposed by lic examination of the review of the Alfred McAlpine Homes East at Cambridgeshire County Structure Caxton Gibbet, 11 miles west of Plan, which sets out future policy

> others for new villages around would be needed to cope with the increased pressure for housing in the area, but then revised their esti-

A VILLAGE with 3,000 homes, a to make certain that the proposal is ed north west of the city. business park and a landscaped considered at the forthcoming pub-Richard Wood, said yesterday Was are firmly convinced that the county council is selecting the wrong for land use for land use. site." Housing pressure is to the The McAlpine proposal joins 12 south and west of Cambridge, not to

the north McAlpine and Richard Wood hope to use the public examination to convince the planners either that there should be two villages or that the site chosen should be to the west, along the A45 corridor.

Have your F.T. hand delivered: . . . every working day, if you work in the business centres of MALMO, STOCKHOLM or GOTHENBURG Copenhagen

> And ask K. Mikael Heiniö for details FINANCIAL TIMES

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lames Hardie Industries Limited Incorporated in New South Wales

Year ended Change from 31 March 1987 previous year \$A1,513.0 million Revenue - 3.4% Operating profit 60.6 million +27.7% 37.8 cents Earnings per share +23.0% Dividends for year 24.0 cents + 9.1%

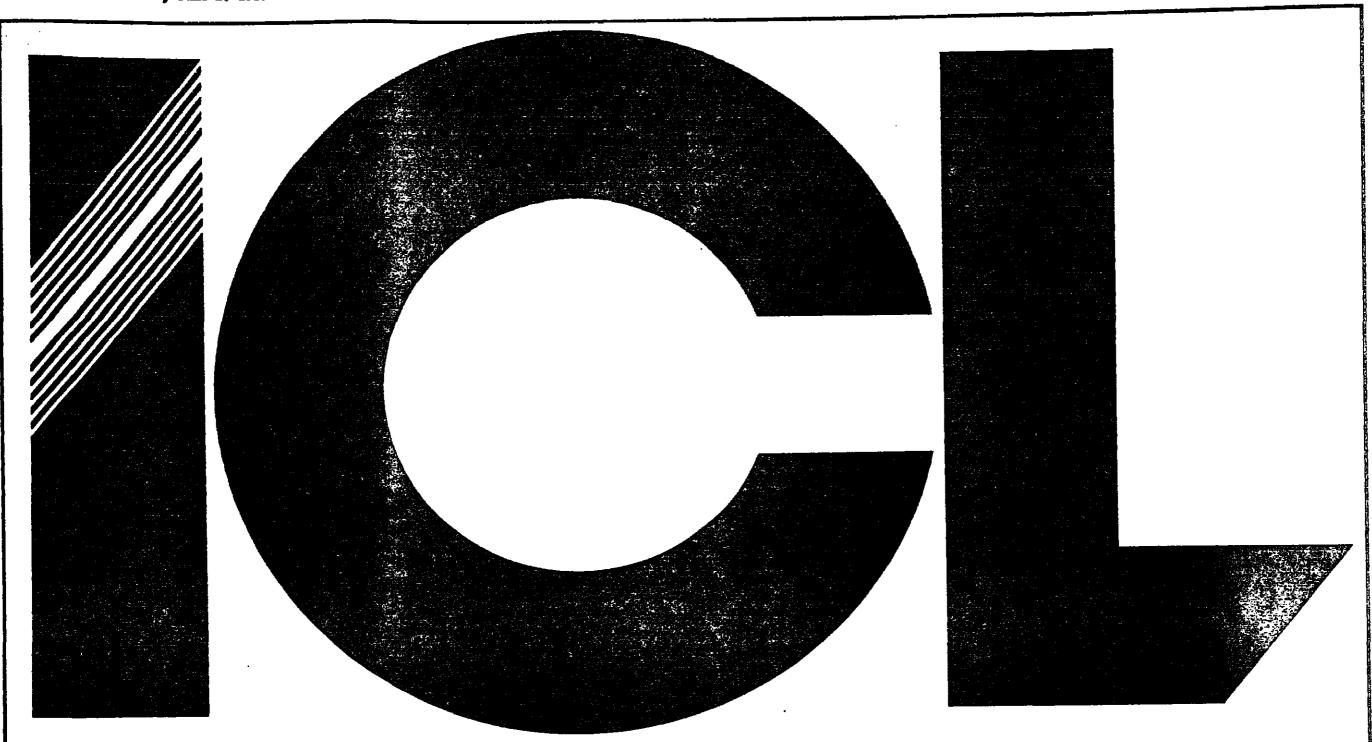
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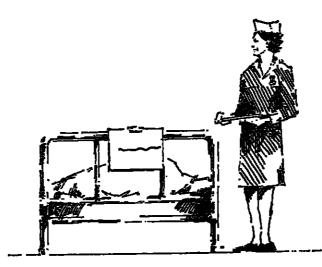
recorded lower revenues following divestments in programme of rationalisation

 increased final dividend by two cents to 13 cents has invested substantially in the USA since 31 March 1987

> For further information on the Group, please write to the Company Secretary of James Hardie Industries Limited, 65 York Street, Sydney 2000, Australia.

SSIST





A giant performance for the Health Service.

ICL is this country's leading supplier of computers and information systems. One of the reasons for this is that we have chosen to concentrate our expertise in key market areas.

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And more systems for individual hospital departments are now available on ICL computers than on any other manufacturer's equipment.

We are investing millions of pounds every

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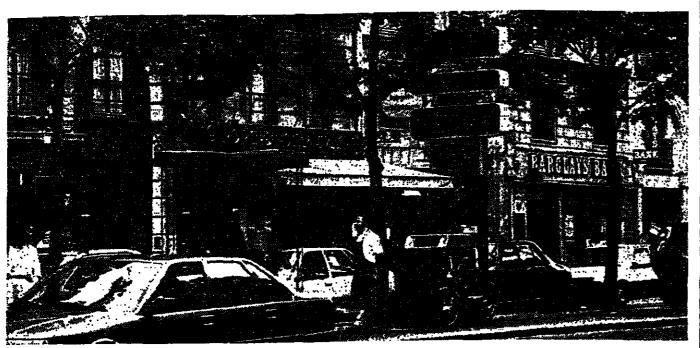
This kind of commitment typifies our performance in each and every one of our chosen markets. The result is a record of corporate growth and achievement that leads to one inescapable conclusion.

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We should be talking to each other

EEKEND FT



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And because we're getting first hand information, we can actively manage funds so they can be switched across borders to take full advantage of market conditions and currency fluctuations.

Free shares before July 24th

Invest any amount from a minimum of £1,000 to £15,000 before July 24th and you get a 1% discount in the form of free additional shares. Invest more than £15,000 and you get a 11/2% special discount.

So don't delay, send for a prospectus now. After all, no one is better placed than us to keep an eye on your

To: Richard Roberts, B. International (Channel Is Dept FT128, PO Box 152, The Please send me a prospectus on Ba International European Equity Fund I am considering investing the sum of	slands) Limited, Charing Cross, 73741/76700.
Name Address	
BARCLAYS BARCLAYS UNICORN INTERNAL	

UK NEWS

Visa adopts new code to Free legal screen credit applicants advice for accident BY DAVID LASCELLES victims

verified.

By Raymond Hughes, Law Courts Correspondent est - Barclaycard, have adopted a code of practice to reinforce stan-FREE LEGAL advice will be availdards for card applications and granting credit. able to accident victims under a na-

Their action comes amid mounionwide scheme launched today by ting concern about the rapid growth of consumer credit in the UK and the Law Society, the solicitors' prossional body. the apparent ease with which bor-Each year tens of thousands of people are injured in accidents for rowers can run up large credit card debts. Although the code reflects which they are entitled to compencurrent practice and does not necessation, but 70 per cent make no sarily signal tougher credit terms, it is intended to improve the image of card issuers as responsible lenders. claim, generally due to lack of legal knowledge or uncertainty about how to get legal advice.

ALAS - the Accident Legal Advice Service – will offer a free initial interview with a solicitor who will advise on the prospects of success of a compensation claim, the likely cost and whether the injured per son qualifies for legal aid.

The Law Society's £33,000 campaign to publicise the scheme includes a 30-second video to be shown every four-and-half minutes on the QTV screens in 510 post offices throughout England and

Leaflets advertising the cam-paign will be displayed in libraries. social service and department of health offices. Citizens Advice Bureaux and health centres.

The high proportion of accident victims who could, but do not, claim compensation has been revealed by a pilot scheme that has been operating in Manchester since 1979. About 400 people a year have taken advantage of the scheme, receiving an average compensation of around £800.

Statistics from Manchester show that 34 per cent of accidents occur at work, 27 per cent on the road and 38 per cent in the home (for example, from faulty appliances), on pavements, in shops or during lei-

Nearly 2,500 solicitors throughout England and Wales have so far agreed to take part in the scheme, most of them are specialists in per sonal injury claims. On the basis of the Manchester experience the Law Society expects more to join in once the nationwide scheme has got under way.

F.1. © Frankfurt Subscriptions (069) 7598-101

● All application forms must provide enough information to enable assessment, and credit limits "shall Card issuers pledge to abide by said. the Consumer Credit Act and the

Data Protection Act. 6 Where credit scoring is used, card The 16 institutions subscribing to issuers will comply with guidelines laid down by the Office of Fair trad-

the code include clearing banks such as Barclays, TSB, Girobank, the Co-op Bank, Standard Char-tered, Yorkshire Bank and the ● Early warning will always be giv-en to customers who are overdue Bank of Scotland. The other issuers are smaller UK banks and finance companies, and foreign banks. The issuers have agreed to five

All institutions issuing Visa credit cards in the UK, including the largest a Barelevand hour advantage of the code reflected practices which the amount of credit applied for. In all cases a banker's reference and/ or a credit bureau check will be made, and the applicant's address portant, he said, that consumers understand the principles involved, and that issuers abide by them.

The code will benefit cardhol-

the issuer to make a proper credit ders by assuring them that Visa issuers adopt a uniform approach to prudently reflect the applicant's fisponsible and fair," the spokesman

More than 12m Visa cards have been issued in the UK, repres 41 per cent of the market. The bulk of this is held by Barclaycard.

Access, the other major credit card organisation in the UK, is unlikely to follow Visa into adopting a code of practice. A spokesman said with their repayments, and custom-ers in genuine financial difficulty ai member banks to state their will be allowed to repay over a long-lending practices and policies, rather than the organisation as a whole

Bush plans comeback to TV with Polly Peck

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

try, is planning a comeback in the colour television market with a Turkish-made product supplied by Polly Peck, the controversial trading and manufacturing group.

ing and manufacturing group.

The deal brings Bush back into television wholesaling after a six-year absence. It should also help Polly Peck establish the credibility of its consumer electronics manufacturing operations, since the 20-inch model to be marketed by Bush has received British Standards

safety approval.

Bush, acquired last year by Prestwich Holdings, the fast-expanding entertainments and electronics group, has interests in a variety of electronic products, including music

It abandoned the television market in 1981 because it had become a cut- throat business. But, according to Mr Philip Keane, a Prestwich director, the company has been looking for a way of moving back into the TV business for some time. "We were able to do a deal with

tions. It was also hoping to do fur-ther business with Polly Peck in other consumer electronic products in the future. Earlier this year, shares in Polly

Peck on the London Stock Exchange were briefly hit by speculation that the company might lose its manufacturing licence in Turkey because of alleged sub-standard television production.

Yesterday, however, Mr Asil Nadir, chairman of the group, said he was pleased that the colour television set had received British Stancentres, personal stereos and clock radios, all imported from the Far East.

and see in a leveral approval, and that the agreement reflected our strategy to market Polly Peck products on an international scale."

Mr Nadir, whose agricultural and manufacturing activities in Cyprus and Turkey have frequently attracted City scepticism, refused to give production figures for his television operations, saying that number could create unwarranged expecta-Polly Peck quickly and amicably,

Short breaks relieve stress, survey says

By Lisa Wood

MORE THAN 60 per cent of em-ployees in the UK feel their lives are "significantly stressed" according to research carried out by Crest Hotels, the Bass brewing subsid-

iary.

The overwhelming causes of stress, according to the research, are having to meet urgent deadlines Crest Hotels said: "It would seem that time is at a premium in today's highly stressed and striving-toachieve environment and the symptoms displayed by a stressed e ployee are not conducive to high performance.

According to the sample inter viewed, over 70 per cent of stressed employees said they felt edgy and bad tempered, over half had difficulty in making decisions and in concentrating, 81 per cent said it was difficult to relax

Crest Hotels, a major provider of short break holidays, said that over 70 per cent of employees believed that taking even a short holiday away from work relieved the build

This advertisement complies with the requirements of the Council of The Stock Exchange.



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Issue Price 101% per cent.

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Westdeutsche Landesbank Girozentrale Yamaichi International (Europe) Limited

Application has been made to the Council of The Stock Exchange for the Debenkines to be admitted to the Official List.

Listing particulars relating to the Debentures are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 1st July, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 10th July, 1987 from:

nk of Switzerland (Securities) Limited Stock Exchange Building P.O. Box 406 London EC2N 1EY

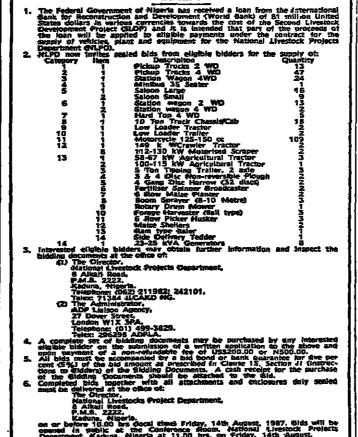
3

The Royal Trust Company of Canada Royal Trust House 48-50 Cannon Street London EC4N 6LD

FEDERAL GOVERNMENT OF NIGERIA FEDERAL MINISTRY OF AGRICULTURE WATER RESOURCES AND RURAL DEVELOPMENT NATIONAL LIVESTOCK PROJECTS DEPARTMENT

INVITATION FOR SIDS stance of Invitation: 30th June, 1987 LOAN No. 2737 UN1 IFB No. 1

Contracts and Tenders



Public Notices Legal Notices MOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER URSUANT TO SECTION 48(1) OF THE INSOLVENCY ACT 1986 COMPANY Number: 1989364 Name of Company TOURISM STUDY PROPOSAL

Cardig City Council wishes to commission
a study, arx. to give an overview of
possible tourism development and
reference of the proportion of the state of the proportion of the
possible seed canable of implementation, of
the individual projects listed below, to
the individual projects listed below, to
the market and hannes assessments,
both for the Council's own purposes in
planning for these projects and also in
provide detailed information for the
Authority's applications for financial
tapport from outside bodies, most actably
the European Regional Development Fund.
The projects are:

(a) New Theatre referbishment; Name of Company

NEWS ON SUNDAY PUBLISHING PLC
We CYRIL W. NIELD and CHRISTOPHER
J. HUGHES of St James's House, Charciotte Street, Manchester MI 4D2 beyear
give notice that on the S James American to the Company be
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1588 giving the Company.

CYRIL W. NIELD The projects are:

(a) New Theatre refurbishment;

(b) Games Facilities—this will include the building of the international running track and associated facilities currently under construction and elling places proposed throughout the Obituary GARETH MARK LEWIS

GARETH MARK LEWIS
younger son of Kaith and Elizabeth
and brother of Michael, of Riverston
School, London, and Management
internetional, Bournemouth, tragleally killed in a car accident on 24th
June, aged 25 years. Funeral service
will be held at Eitham Cremeterium,
London SES, on Thursday 2nd July
at 10.15 am. Flowers and enquiries
to Francis Chappel, 48 high Street,
Sidcup. Kent. Investigation of the two murisis and visitor related aspects described above. Expressions of interest should be sent to their Executive. Carolin City Concentia. Room 210, City Hall, Caryler CF1 3ND, no later than 15th July 1887 and include descriptions of previous work undertaken. Charping policies and expertise of staff. Farther details from M. A. Turvey, Teleshone (0222) 822059. Fax (0222) 822059.

KENANA SUGAR COMPANY LIMITED Prechalification for Port Suban Sugar Warehouse

Kenana Sugar Company Limited operates one of the largest sugar estates at Sufeiya, near Rabak, 250 km south of capital Khartoum, and about 1,200 km from the sea port Port Sudan.

Kenana wishes to ascertain whether you would be inteersted in tendering for the above project. Tenders will be invited from a list of selected contractors. The project is to be financed by the Saudi Fund for Development and the list of prequalified contractors is subject to their approval. The eventual form of contract and payment conditions will also reflect their normal requirements.

The project will consist of the construction, in Port Sudan, of a sugar warehouse of approximately 12,000 square metres in floor area. The warehouse will be of steel portal frames, 6m to eaves, either 40m clearspan or two 20m spans, clad in single-skin, colour-coated trapezoidal profile, steel sheeting. There will also be approximately 500m² of offices and ancillary building and 250m² of workshops and

stores. Interested tenderers are requested to forward as soon as possible the prequalification documents, including a brief report on major construction works recently executed by them along with last annual financial report, to Kenana Sugar Company Limited, P.B. No. 2632, Khartoum, Democratic Republic of the Sudan, clearly marked for the attention of Mr. Abdullahi Abu El Gasim, so as to reach him not later than 5th July, 1987.

The information given above is tentative and will form no part of any eventual

GOVERNMENT OF MAURITIUS MINISTRY OF WORKS SEWERAGE SCHEME IN CORDMANDEL AND NORTHERN BEAU BASSIN (PLAINES WILHELMS) The Government of Mauritius Is Consider-ing the Construction of a Sewerage network in Northern Beau Basain and Coromandel in the District of Figines Wilhelms, Consisting of:—

elms, consisting of:—
26 km of 200mm sewers
3.2 km of 300mm sewers
1.8 km of 300mm sewers
570 manholes
2000 bouse connections involving
8000m of 150mm sewers
1900 trap disconnectors and 100
connection manholes
A small pumping station with a
400m long 150mm rising main.

400m long 150mm rising main. It is proposed that the above project he constructed as a Supply and Lay contract. The Government of Maurithus proposed to invite tenders from experienced contractors. Invitablens will be issued in the second part of 1987 to prequalified contractors only, will be proposed to commence the contractor of the contractor of the contractor of the contractor of the contract should apply in writing in duplicate 200mm.

References for Sewerage works carried out in the last two years.

(f) Details of senior staff available. Name of Engineer 5 Tender sum, dual contract price, value of variation orders

Firms selected to submit tenders will be notified and invited to tender for the execution of the Project in accordance with the tender documents which will be subsequently lumished to them.

The Project will be financed by the Saudi Fund for Dowelopment, and no contractor who is in any way boycoted by the countries of the Arab tasque will be allowed a Tender Presualised Contractors will be expected to furnish a Boycott Cortactors along with their Tender.

Company Notices

WESTERN DEEP LEVELS LIMITED Incorporated in the Republic of South Africa) Registration No. 57 02349 06

has been made to the Counch of the Stock Exchange, Londertoned shares to be admitted on the Official List: State 1215,855 S Officiary shares of RZ seek. List: State 1215,855 S Officiary shares of RZ seek. Council to the showementions circulated by the Particulars relating to the abovementions circulated by Particulars will be available to the public for us from the date of abis notice, during normal business hour didresses. 40 Holborn Waduct
London ECIP 1AJ
HII Samuel Rogistran
HII Samuel Rogistran
London SWIP 1PL
Rojes & Pibnan Ltd
I finsbury Avenue
London ECIM 2PA

thing Particulars will also be available for isolowing the date of this notice from: The Company Announcement Office The Stock Exchange Throughout Street Entrance London ECZP 287 29th Jene 1987



REECHAM GROUP P.L. ANNUAL REPORT 1987

Johannesburg 29 June 1967

NOTICE is HERBY GIVEN that the Annual Report for the year ended March 11, 1967 was posted to shareholders on June 29, 1987 and 1987 at 12 moon on Wednesday, July 22, 1987 at the Grossenor House, Park Lane, London, W.1.

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION PLC 14% Debenture Stock 1993 Notice is bereby given that the Registers of the Corporation's above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from 17th to 31st July, 1997. By order of the Board Nigel B. Richardson, General Menager, 48 Palmerston Place, Edinburgh EH12 5BR. 29th June 1987

GENERAL MOTORS ACCEPTANCE
GENERAL MOTORS ACCEPTANCE
CORPORATION OF CANADA LIMITED,
GMAC OVERSEAS FINANCE
CORPORATION N.V.
GENERAL MOTORS ACCEPTANCE
CORPORATION (U.K.) FINANCE PLC GMAC, AUSTRALIA (FINANCE)

NOTICE IS HERESY GIVEN to bolders of Notes issued by the above commenter such that the Annual Report and Accounts of such commenter such commenter such that the Annual Report and Accounts of such reports and the such codes of such reports and the codes of such reports and approximately such accounts to the such accounts of such reports and accounts of such reports and accounts of such accounts and such accounts of such accounts

APPOINTMENTS

Chairman at Allied **London Properties**

At ALLIED LONDON PRO-PERTIES Mr Merris Leigh has retired as chairman. Mr Geoffrey N. Leigh is appointed chairman and will continue to the practising barrister with cham-bers in Liverpool. N. Leigh is appointed chairman and will continue as managing director. Mr Leigh will be appointed life president at the annual meeting in December and remain a director.

Mr Colin McLean, general manager of Heriz Leasing, has been appointed joint managing director of Hertz UK. He will continue to control the leasing division but not assumes addi-tional responsibilities for Hertz's overall operation in the UK alongside Mr John Howard of Hertz Rent-a-Car.

Mr Colin Fisher has been appointed general manager, information technology, at LLOYDS BANK, from July. Mr Fisher, an assistant general manager in UK retail banking with responsibility for the UK. with responsibility for the UK commercial market, succeeds Mr Robert Marshall as head of information technology.

Cor bied

Lead Fill

WIMPY INTERNATION: has made four appointments in the board: Mr Red Smith, for-merly personnel manager at Wimpy's sister company Pizze Wimpy's sister company Pizze land, has taken over as personuand training director from Mr John Dalgleish, who has moved to the UB Restaurants board. Mr John Francis replaces Mr Ian Woodhead, who has also moved to the UB Restaurants board, as forested directors. Mr Francis to the UB RESTAURANTS DOARD, as financial director. Mr Francis was UK financial accountant for United Biscuits. Mr David O'Sulivan has been promoted from development manager for Drive-Thru to franchise sales director. Mr Connol Coan takes up a new directorship on the board is he moves from estates surveyer for Wimpy to property

Mr Faul H. Greetham has been appointed full-time local programme director of the CALDER-DALE COMMUNITY PARTNER-SHIP. He was finance director with Pertway Press.

R. S. CLARE & CO has made the following changes at board level. Mr Michael P. Ridley is appointed chairman of both the parent company and a contract-ing subsidiary Wilson & Scott (Highways) in London. He recently retired as manufacturing and distribution director of Burman Castrol (UK). Mr Michael R. Barton, a director of R. S. Care & Co since 1948 and chairman from 1977-87, and chairman of Wilson & Scott (Highways) since 1981, remains a non-executive director of the

THE SECURITIES AND INVESTMENTS BOARD has appointed Mr Michael Blair to be its director of legal services. Mr Elair joins the board on Setpember 1 from the Lord Chancellor's Department where Chancellor's Department where he is the Under Secretary in charge of the policy and legal services group with responsibility for the development of the courts and for the civil and criminal legal aid schemes. As director of legal services he will be the principal legal adviser to the board and will head the legal staff.

GENERAL AUTOMATION has appointed Mr Irvin Ella vice-president and managing director of GA's European operations.
He will be based at GA's UK
headquarters in Gerrards Cross,
Bucks. Mr Ella joins from



Mr Irvin Ella, vice president and managing director of General Automation

McDonnell Douglas Computer Systems Company, where he has held senior executive positions in sales marketing, and tech-nology development for the past 17 years.

Mr Roy S. Brown has joined the board of GLENCAST as financial director.

Mr John Smart has been appointed company secretary to THE DISTILLERS COMPANY and succeeds Mr Eddie Campbell who is moving to Glasgow as director of export administration for United Distillers Group.

ANCHOR FOODS has appointed Mr Paul Buckle to the newly created post of director of sales. He was previously business development manager at Beecham Bovril Foods.

Changes in sterling may hit sales permanently

By Janet Bush

TEMPORARY fluctuations in sterling may cause permanent damage to British industry, industry argues Mr Charles Bean, Reader in Economics at the London School of Economics. Citing the sharp appreciation in sterling in the period from 1979 to 1982 and the surge in the value of the dollar between 1981 and 1986, he says such temporary overvaluations could lead to a fall in both the demand for and supply of domestically produced goods that would not be completely re-versed even if the exchange rate returned to its previous level.

A deterioration in competitiveness of 20 per cent, sustained for only two years, would permanetly lower the level of British exports by 3 per cent, his research suggests. A period of undervaluation of sterling would then be neces-sary to restore the status quo. For the same reasons, the dollar might have to fall a further 20 per cent to 30 per cent to restore the US currentaccount balance.

The tailing-off of North Sea oil in the next decade would require a significant real depreciation of sterling to attract resources back into exporting and import-competing

Mr Bean argues that once export markets are lost, they are not easily regained. For a number of reasons, the demand for a company's product is likely to depend on previous

First, existing concerns may produce such a variety of products that it may be difficult for potential entrants to find a market niche. Second, uncer-tainty about product quality may lead consumers to stick with products they have already purchased. Third, in some industries there may be sig-nificant costs in switching

On the supply side, the significant fixed costs of entry into a market, such as the cost of establishing a distribution net-work, may mean that if a large exchange - rate appreciation forces producers out of foreign markets, they may not return, even if the currency returns international price rises.

to its previous level. A substantial undervaluation may be needed to encourage them.

international price rises.

Strong growth in productivity has been cited as key factor in the economy's improved per-

LONDON BUSINESS SCHOOL ECONOMIC OUTLOOK

% change unless otherwise shown

Gross demostic product (output)

Inflation (consumer prices)
Components of dernand (volumes)

Consumers' expenditure
Total fixed investment

General government consum Stockbuilding (£bn 80)

Exports of goods and services Imports of goods and services Labour market
Wages and salaries per employee Average earnings in manufacturing Registered adult unemployment (UK, m)

Current balance of payments (£bn)

last year.

Growth with low inflation forecast

FORECAST SUMMARY

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN can expect four more years of steady economic growth combined with low inflation now that electoral un-certainties are removed, the London Business School says. In its latest Economic Outlook, released today, the LBS also forecasts a small deficit in the medium term on the

current account of the balance of payments and a further, although decidedly modest, fall in unemployment. It sets that forecast against the background of improving prospects for the world eco-nomy, with a steady pick-up in

the international growth rate. It warns, however, of the risk that the twin US current account and budget deficits might yet trigger a US and subsequently a world recession, which in turn would significantly damage the outlook for

On the basis of its central forecast, the LBS expects the Government to meet its target of a 25p basic rate of tax in the 1988 Budget. It assumes that tax re-ductions in subsequent years will be concentrated on raising

the UK.

The Government is nevertheless expected to overshoot its public spending targets — by puone spending targets — by fibn in the current 1987-88 financial year and by as much as \$55n in 1980 ct

as £8bn in 1990-91. For this year, the LBS fore-casts a 3.3 per cent rise in out-put, slightly above the Treasury's projection. Growth will be driven by buoyant whole,

growth in consumer spending exports replacing falling oil

2.7 4.1

strong supply - side response from manufacturing industry to last year's depre-ciation in the pound's value is expected to generate a 6.7 per cent rise in the volume of ex-ports in 1987 compared with as a whole over the medium the rise of only 3 per cent seen

For the three years from 1988, the Outlook's mediumterm projections point to steady, if slowing, growth in the economy. In 1988 output is forecast to rise by 2.9 per cent and in 1989 by 2.7 per cent.

On the assumption of an unchanged exchange rate, the LBS expects manufacturing end of the year the recorded industry to continue to grow rate of retail price increases faster than the economy as a should be down to 3.5 per cent whole, with manufactured a year.

and a strong export perform- output That in turn should lead to a strong revival in investment spending. For 1988, the LBS is predicting a 6.1 per cent increase in the volume of fixed investment, adding that capital spending is likely to continue to grow faster than the economy

> Turning to inflation, the Outlook says the recent strength of sterling, the decision in the March Budget not to raise excise duties and the cut in the mortgage rate have restrained upward pressure since last summer's low point.

The underlying inflation rate appears to be falling and by the

Beyond the beginning of next year, however, the pressures on inflation are likely to be up-wards, with a slight accelera-tion in the pace of world price rises and earnings growth in Britain remaining buoyant.

The LBS says the Government could resist that pres-sure by allowing the exchange rate to rise. If it fails to do so, the inflation rate is likely to

edge 4 per cent in 1989. The forecast is least optimistic on the medium-term outlook for unesaployment.

Although the recorded rate is expected to fall by 200,000 this year, the subsequent decline is expected to be slower. By 1990, some 2.8m people are likely to remain unemployed.

In spite of strong growth in exports this year, Britain's trade deficit is expected to widen over the medium term.

The impact on the current account, however, will be offset to a large degree by earnings on Britain's overseas assets, at present running at around £5bn a year. That points to a currentaccount deficit of around £1.5bn a year in the medium term, compared with the £1.4bn sur-plus anticipated for 1987.

For the world economy, the Outlook's central forecast is for a revival of the annual growth rate to 3.3 per cent next year from 2.5 per cent in 1987.

Inflation is forecast to accelerate from its 1986 lows, reaching an annual rate of 4.5 per cent in 1989, but is then ex-

payments on mortgages' By Our Economics Correspondent MORTGAGE INTEREST payments, as the costs of owner-occupation, should be excluded from the calculation of the most

widely used measure of infla-tion, a leading City economist argues today. Mr Christopher Johnson, chief economic adviser to Lloyds Bank, says in the bank's latest review that Britain should follow the example of France, Italy and Switzerland and drop mort-

RPI 'should

omit interest

gage interest payments from the retail price index. He acknowledges that there is strong support from consumers for their continued inclusion in the index, but says they need-lessly add to the volatility of recorded inflation.

corded inflation.

If mortgage costs had been excluded, the fluctuation would have been only between 3.2 and 5.6 per cent. At the same time, the higher inflation numbers damaged the cause of pay moderation more than the low numbers benefited it.

Mr Johnson puts forward a range of other arguments for removing interest payments from the RPL Only three fifths occupied.

Most distorting of all, when the Government raises interest rates to curb inflation, mortgage rates go up, and so does inflation as measured by the

EIB advances loans of £42.5m

LOANS OF \$42.5m for projects in Yorkshire, Cheshire, the Shetland Islands and Dyfed to help to remove obstacles to economic development in areas of high unemployment have been announced by the Euro-pean Investment Bank.

The figure brings the total advanced to the UK for economic priority investments this year to £295m.

Yorkshire Water Authority gets £20m for water mains, sewerage projects and a sea outfall at Scarborough. Cheshire County Council gets £10m for road schemes and site reclamation aimed at aiding Merseyside. Shetland Islands Council gets £10m and Dyfed County Council £2.5m.

Manufacturing gains may speed price rises THE RECENT strong improve formance and his significantly Outlook says, costs across the faster price rises than average. ment in manufacturing offset the effect of earnings whole of Britain's economy are judgetry's productivity per growth on industry's costs. Outlook says, costs across the faster price rises than average. West Germany did not suffer likely to rise faster than in the same way because it

BY PHILIP STEPHENS

industry's productivity per-formance might, paradoxically, increase inflationary pressures if the Government decides to take sterling into the European Monetary System, the London Business School says.

The official target of stable prices in the medium-term is likely to require a steady appreciation in the pound's value to offset domestic cost pressures and the impact of international price rises.

growth on industry's costs. The LBS points out, how-

ever, that the surge in produc-tivity gains has been confined largely to manufacturing, which accounts for only about a quarter of Britain's overall output

Earnings in the services sector have been rising only slightly less fast than those in manufacturing industry but with a substantially smaller offset from productivity

competitor countries that have slower productivity in the manufacturing sector. Unless the exchange rate is allowed to rise, the result will be a worsening relative inflation performance.

It cites as evidence for the apparent paradox the relatively high rate of inflation in Japan during the 1960s, when that country's productivity performance was at the top of the international league. Italy, which also had rapid productiwhich also had rapid producti- achievable only if the value of In those circumstances, the vity growth, also suffered from sterling readily appreciates.

West Germany did not suffer in the same way because it mitigated the effect on prices of rising productivity by adjusting its exchange rate upwards. The LBS concludes that unless

there is an unexpected acceleration in productivity in the services sector, the gains in manufacturing will hinder the Government's aim of a steady decline in the inflation rate.

The eventual aim of stable prices is therefore likely to be

LIBYAN ARAB FOREIGN BANK

المضرف العزبي أللبتي الحن ارجي

Balance Sheet for year ended 31st December 1986

LIABILITIES		
		n Dinars
BANKING DEPARTMENT	1986	1985
Current Liabilities	000 745 454	AT 1 000 F10
Demand deposits	290 547 156	274893718
Time deposits	488 096 495 12 378 447	423 437 613 10 467 517
Current taxation		
	791 022 098	708 798 848
Non-Current Liabilities		
Credit accounts	71 721 510	67009352
Provisions	2 694 804	567 386
	74 416 314	67 <i>5</i> 76 <i>7</i> 38
Share Capital and Reserves		
Share Capital	45 000 000	15000000
Legal Reserves	16700000	15 700 000 9 450 000
Contingency Reserve	10 350 000 25 000 000	23 000 000
Portfolio Valuation Reserve	2154880	1931826
Other Reserves Shareholder's Funds	4957 257	1931020
Shareholder's Dividend	2 750 000	2750000
Retained Profit	49 970	54632
10tamos 1 Tone	106 962 107	67 886 458
Total Liabilities of Banking Department	972 400 519	844 262 044
DEVELOPMENT DEPARTMENT		
Current Liabilities		
Current Taxation	376 027	985 859
Share Capital and Reserves		
Share Capital	15 000 000	15000000
Legal Reserve	11 500 000	10500000
Portfolio Valuation Reserve	15 000 000	13 500 000
	41 500 000	39 000 000
Total Liabilities of Development Department	41 876 027	39 985 859
Total Liabilities	1 014 276 546	884 247 903
CONTRA ACCOUNTS	210 143 898	352 071 <i>5</i> 78
TOTALBALANCESHEET	1 224 420 444	1236319481
		

ASSETS	T ileans	Dinars
BANKING DEPARTMENT	1986	1985
Current Assets		
Cash and short term balances with banks	68 096 762	102.579.911
Time deposits with banks	583 800 168	479 661 101
Facilities	16800411	6410477
	668 697 341	588 651 489
Non-Current Assets		
Investments, Loans and Securities	186 783 161	187 180 782
Participations (Equities)	65 123 727	54791328
Other Current Assets	<i>5</i> 0 754 935	12 881 123
	302 661 823	254 853 233
Transl A conta	1 041 355	757 322
Fixed Assets		
Total Assets of Banking Department	972 400 519	844 262 044
DEVELOPMENT DEPARTMENT		
Current Assets		
Advances	11 803 170	10050245
	11 803 170	10050245
Non-Current Assets		
Participations (Equities)	24 818 303	24681060
Other Current Assets	5 254 554	5254554
	30 072 857	29 93 5 6 1 4
	44 057 005	80.005.050
Total Assets of Development Department	41 876 027	<u>39 985 859</u>
Total Assets	1014276546	884 247 903
CONTRAACCOUNTS	210 143 898	352 071 578
	1 224 420 444	1236319481
TOTAL BALANCE SHEET	1 667 760 777	1420313461

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THERE have been some strange juxtapositions in the news headlines of late. First we have Mr Gorbachev berating the men from Gosplan for their failure to satisfy consumer demands and calling for the decentralisation of the Soviet economy. Then we are told that Mrs Thatcher is becoming increasingly authoritarian as she seeks to impose a national curriculum on British schools and set a

The labels come unstuck

Role reversal is also be-ming the norm in the antipodes. In the run up to the general election in Australia, the markets are worried about the size of the budget deficit that might result if the right-wing opposition comes to power; a victory for Mr Bob Hawke's Labor Party is regarded as bullish for the stock market. In New Zealand, a key question about the Labour Government's economic policies is whether

And what are we to make of the news from South Korea? Amid all the up-heavals, President Chun Doo Hwan last week had a meet-Hwan last week had a meeting with the co-leader of the opposition, Mr Kim Young Sam. Mr Kim called it a fallure. But it did at least happen—and in a country which has long been regarded by the bien pensants of the west as one of the world's least layery regimes world's least lovely regimes. Nobody would wish to defend the heavy-handed

President Chun, unlike for-mer President Marcos of the Philippines, is not under attack for corruption. His opponents object, with jus-tice, to his undemocratic protice, to his undemocratic pro-posals for the presidential succession. Yet he has at least refrained from pro-posing a dynastic solution of the kind adopted by Mr Kim Il Sung in North Korea, where opposition parties simply do not exist. This brief catalogue serves

sive South Korean leaders. But it should be said that

This brief catalogue serves as a reminder of the yawning gulf between traditional political rhetoric and the substance of the underlying politico-economic debate. If you really believe that the ideology of right and left, or of laissez-faire and dirigisme, still has some relevance to economic growth, try to make sense of a tour around the sense of a tour around the

Since the Meiji Restoration, Japan has been dirigiste in economic management to an

extent that would cause nothing but discomfort to Presideut Reagan and Mrs Thatcher. South Korea's Government is chock-a-block with planners. Yet despite this handicap (as orthodox western economists tend to see it), the country's Economic Planning Minister, Mr Chung In Yong, has just announced a revised growth forecast for 1987, up from 8 per cent to 10 per cent.

Japan, South Korea and Taiwan are all thoroughly mercantilist in outlook and have enthusiastically pro-tected both infant and adult industries. In contrast, Hong Mong has maintained open markets, while generating double figure growth rates. Yet Professor Milton Friedman's brilliant propagandis-ing about Hong Kong as the ultimate tribute to the merits of laissez-faire is plain wrong, even though it continues to cast a spell over the makers of television documentaries. Hong Kong is in reality a

my where a sizeshle

budget surplus is used for investment in housing and Infrastructure. In the vibrant private sector, entrepreneurs finance the businesses that generate most of Hong Kong's economic growth from their own family savings, while the stock market is largely given over to the property and the financial sector.

Where, then, is the real political divide? More often than not it is between the progressive realizations with a small progressive radicals and the conservatives with a small "c"; between those who are prepared to take on the entrenched interests in society trenched interests in society and those who choose to work with them. Mr Gorbachev and Mrs Thatcher are clearly in the progressive camp, which may help explain why they got on so well at their recent meeting, despite differences on defence. President Reagan and Mr Nakasone of Japan belong here too, as does Mr Lange of New Zeadoes Mr Lange of New Zea-land, whose defence policy nonetheless offends Mr Rea-

Perhaps these progressive

radicals_tend_to have a presidential style, even when they are not operating in a presidential system, precisely because the attack on vested interests calls for the exer-cise of strong political will.

By contrast, most of the leaders of the newly industrialising countries are conservatives, which is under-standable enough: the vested economic interests have not had as much time to take root and put obstacles in the way of economic adjustment. West Germany's Mr Kohl, on the other hand, must count as a pronounced arrieriste, by any standard. Britain's opposition leader Mr Neil Kinnock has the misfortune, in electoral terms, to be progressive on defence, but conservative in his attitude to the unions.

None of this should be taken to imply that there are no eternal verities in politics. no eternal verities in politics. In the final analysis, security is always more important than economics, even if Belgians or New Zealanders need to pay less attention to it than South Koreans. And there remains a clear-cut distinction between states that are committed to democratic freedoms and those that are not. But in economics it is surely time for idealogues to find a new vocabulary.

An acid test of good intentions

JUST As the Queen's Speech was politically emollient in its promise "to maintain and improve" the National Health Service (as Joe Rogaly described it on Friday) so the avowed approach to law and order is, for this government, uncharacteristically rational and unemotional in tone.

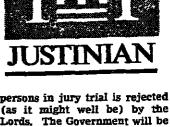
Absent from the speech was the usual language of the battlethe usual language of the battlefield—"the war against crime,"
the "fight against criminals"
and other such distracting
phrases which provide the
staple diet of unthinking
politicians. The Government
intends instead to "remain
determined to tackle the problems of crime." It goes on to
reveal plans to augment the
resources of police forces and
to establish a national crime
prevention organisation. Will
the reality match the realism,
given this Government's record
of a barely muted, punitive
approach to crime?

The immediate instrument for effecting the Government's policy towards crime will be the projected Criminal Justice Bill, the bulk of which will be a hangover from the last parliament. Refinements and addi-tions to the bill, introduced last November, and which had passed through the Commons passed through the Commons but reached only the Second Reading stage in the Lords, may be confidently predicted. The bill will be a miscellaneous collection of generally uncontroversial provisions. The setting up of the Serious Fraud Office, in compliance with the recommendations of the Roskill recommendations of the Roskill Committee, went through on the nod just before the dissolution. That represented a significant step towards modernising the criminal justice system when dealing with complex fraud cases. The legislation did not, however contain the recommendation to set up a special tribunal of a High Court judge

and two professional assessors in place of jury trial.

The residue of the old bill is replete with provisions that will command general approval of sexual and physical abuse to be similarly receivable; a limited extension of the court's powers to order confiscation of the profits of crime under the Drug Trafficking Offences Act 1986 to other offences where the value of the offender's profits is at least £10,000; the pensation Scheme, which has operated successfully on an ex grows at a pace that no amount gratia basis since 1964; and a major reform of the IIK major reform of the UK extra-dition law so as to simplify dramatically the method whereby fugitive criminals can be surrendered to foreign, non-

posal to abolish the right of nothing to alleviate the over-the defence to a peremptory crowding. And establishing pri-challenge to jurors has almost vate prisons will simply store



(as it might well be) by the Lords. The Government will be rather more unhappy if it loses its attempt to deal with "overlenient" sentences passed in the Crown Courts, since the Prime Minister has been vocal in promising a reform that has wide public appeal.

would empower the Attorney General, where he considers that a sentence by the Crown Court raises a question of public importance, to refer the case to the Court of Appeal. That court would then be able to express an opinion on the sentence passed and the principle of sentencing to be observed in similar cases, without hav-ing any power to alter the sen-

The Lord Chief Justice, Lord Lane, expressed, during the Second Reading in the Lords, his dislike for any such provi-sion. But unlike other opponprosecution to have a right of appeal against any inadequate or inappropriate sentence by a trial judge, with a specific power in the Court of Appeal to increase the senterce. such a proposal winld find support within the judiciary and among some criminal lawyers, it instinctively arouses in many people the view that such a power would mack of "double jeopardy," and would be inimical to the cincept of English justice. The likely de-bate in and out of parliament but also a few that will arouse of bate in and out of parliament the House. The bill will include new rules of evidence—witnesses giving their evidence which has become easier to deacross national boundaries via fine since the establishment a live video-link and for testi- last year of a national Crown mony from children in cases Prosecution Service in place of 43 prosecution authorfies.

None of this remotely touches the most pressing problem of society's response to crime. Imprisonment is still the core of the English penal system, and despite efforts to encourage courts (with some marked suc cess) to use non-custodial penalpredictable response has been whereby fugitive criminals can be surrendered to foreign, non-Commonwealth countries.

Two provisions in the old bill have already provoked a degree of hostility. The proposal to abolish the right of to engage in a prison building vate prisons will simply store up trouble with both prison aroused cries of horror from defence lawyers and civil liber-tarians. The Government will saff and inmates. It will be the hardly be shaken if this single incursion into a jealously vide the acid test of its good guarded protection to accused vate prisons will simply store up trouble with both prison saff and inmates. It will be the wards offenders that will project the prisons will simply store up trouble with both prison distributions.

INTERVIEW

Manufacturing with passion

Terry Dodsworth talks to Karlheinz Kaske, chief executive of Siemens

N DECEMBER 1985, Mr hunting round for the American public reduce barriers to trade. But there is no suggestion that the tive of Siemens, the world's fourth largest electrical and fourth largest electrical and electronics group, was telephoned by a New York investment banker with a tempting proposition. Did he want to buy ITT's telecommunications company in Europe, a deal which would have turned Siemens into the second largest telecommunications company in the world?

Third, the American public switch business is not an easy one for a foreign company, despite the much-vaunted US liberalisation. It has cost Siemens \$200m (£125m), he says. Out the contrary. We are absolutely competitive wordwide," he says. "Our exports are higher than other countries' an dour quality and performance is as good."

Delivered by many European executives, this sort of assessment of his company's prospects would sound like a bad case of

" I had to tell the banker that

Mr Kaske tells this story to country has inevitably developed illustrate the shackles imposed its own technology. Yet the US, on European companies by what he regards as a hotch-potch of outdated regulations. It is also one of his responses to the charge that West Germany runs of its large manufacturing and to a lesser extent, the companies, sheltering them at home to give them a base from which they can compete more effectively overseas.

On the contrary, he says, West Germany runs the toughest monopolies policy in western Europe, much tougher than France, the home base of Alcatel, which eventually car-ried off the ITT business.

In the past few years, Mr Kaske, Siemens and West Germany have had to take plenty of criticism on the protectionism issue from the US: as the largest electrical and electronics combine in Europe it is a natural target. But the pressure from America also intensified enormously during the notorious Compagnie Generale de Constructions Telephoniques (CGCT) affair, in phoniques (COCI) and which Siemens was pitted against American Telephone and Telegraph in a bidding contest for the French telecom-

by a compromise takeover pro-posal from Ericsson of Sweden. But the affair still rankles.

First of all, says Mr Kaske, the bid for CGCT was "mainly a French story. The French Government came to us and asked us to make an offer." Second, the West German telecommunications market is relatively open—40 per cent is held by imported goods; and Europe has proved a happy

with a third of world sales in electrical and electronic goods, about eight time bigger than the West German market, has a common set of standards. This a protectionist policy in favour gives American companies-

• PERSONAL FILE

1928 Born in Essei 1953 Lecturer in mining

1960 Rejoined Siemens 1967 Adviser to Fuji Electric 1975 Member of Siemens's managing board 1977 Head of the energy technology

advantage, particularly in research and development costs.

It only seems a step or two further to the proposition that Siemens could be heading for trouble, weighed down by the test for the French telecommunications company.

Both Siemens and AT&T often been criticised as a prime
example of a company infected
by a compromise takeover pronosal from Friesson of Sweden
by a company infected
by "eurosclerosis," slow-moving
and buyeaugratic steadily losing and bureaucratic, steadily losing the ability to innovate and compete effectively in world mar-kets. Even evidence of the Even evidence of the company's success—its cash mountain of about DM 20bn (£6.8bn)—has been attacked as indicating weakness in shifting resources into expansion.

If Mr Kaske has doubts on these issues, it is difficult to detect them. He believes it is

would sound like a bad case of corporate self-delusion. But Mr it would be unthinkable for Siemens to acquire these ITT businesses," he says. "The West German Cartel Office would never have allowed it."

Fourth, Dr Kaske contends fragmented that Europe's fragmented regulatory structure is a disadvantage for European companies in world markets. Each country has inevitably developed companies in world markets. Each country has inevitably developed companies in world markets. logical conclusion to a series of

This sense of purpose and self-confidence flows from an intimate knowledge of the company and its markets. Indeed. Mr Kaske is typical of a West German managerial caste which lays great emphasis on technical expertise, methodical planning and long-term technology.

A physicist, who took his doctorate at the precocious age of 22, he has been with the company for 37 years, apart from a seven-year aberration when he taught at a mining school in Aachen. He rose fast through the managerial ranks. becoming chief executive at 53. He has had plenty of exposure to the toughest overseas markets, having spent a year as adviser to Fuji Electric, Simens's long-term associate in

Indeed, it would be hard to find a subject on which he speaks with more passion than manufacturing, and he takes issue with trends in the US. American companies, he says, have displayed a cavalier attito their manufacturing He traces many of the base. trade deficit problems to selfinflicted damage caused by losing key elements of electronic production.

"It is a trend which started about 25 years ago when the US gave away consumer electronics manufacturing to the Far East." he says. "Consumer electronics is that part of the business which uses a high volume of semiconductor products. So the Japanese got two things at the same time—first they took con-trol of the consumer products forecful nudging in the corri-and then they moved into the dors of power at Siemens. But

went and gave away their designs of personal computers to be made in Taiwan, Korea and Singapore.

During his six-year stint as chief executive, Siemens has, if anything, intensified its commitment to manufacturing, pouring funds into research and development and investing heavily in electronics. R and D spending jumped from DM 3,2bn in 1981 to DM 5,4bn last year, a ratio of 11 per cent on sales. In the same period capital investment leapt from DM 2bn to DM 6.1bn.

This acceleration of development in the electronics field has done a great deal in the last year or two to counter the charge that the company was an integrated electronics group of the type which has been championed in Japan.

In leading this policy change, Mr Kaske is believed

manufacturing of the micro-electronics which go into them."

America is still falling into the same trap, he adds. "Five years ago, the same mistake was made when IBM and others went and gave away their try-wise. If you cannot sell a mechanical typewriter any more, you have to make an elec-

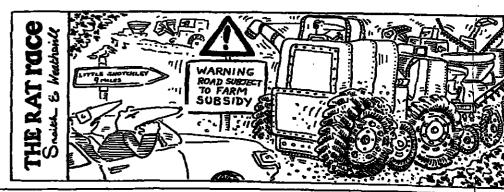
tronic one."

It is easy to criticise Siemens -many do-for following the market rather than leading it. Yet it is hard to deny that the company can be extremely effective at using its fire power when it has spotted an oppor-tunity—witness its move into the US at the beginning of the 1970s.

Expansion in America was undertaken because of a reali-sation that Siemens's traditional export business in Third World infrastructure projects for power stations and electrical installations was likely to starstagnating. It is also making nate. In the event, the oil Siemens look increasingly like crisis has more than vindicated Siemens's approach. are some parts of the world where there is no money left," says Mr Kaske. "The great thing about the US is that those people have money to pay." The US is an equally good example of Siemens's conser-

vative, step-by-step, long-term approach to business. In the last 15 years, the group's American sales have risen from about \$50m a year to \$2.6bn and employment has risen to 26,000. It will soon be a net exporter from its US factories. Yet, up to now, says Mr Kaske, Siemens has not booked a cent of profits from its US invest-

To wait that long for earnings to show up illustrates three things: the group's extremely cautious West German accounting tradition, the solidity of the balance sheet that allows the company to take the long view and its shee patience.



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FINANCIAL TIMES



Just as the M4 motorway provided the impetus for development west of London, so completion of the

M25 orbital route around London is now spurring regeneration of the North Kent Coast between Dartford and Sheemess, resulting in the growth, reports Alastair Guild, of . . .

An Eastern Comidor

WHEREVER YOU look, from London's docklands, past Dartford and along the coast to Sheerness, there is one inevitable conclusion. The scale and intensity of investment which prompted that now well worn cliche, the Western Corridor, currently justifies talk of a similar phenomenon being under bined to stimulate interest in the region, not least North Kent's six enterprise zones, the lead taken by its five councils, and the Kent Economic Development Board in employment promotion, and more recently the prospect of a Channel Tunnel.

The omens were not always so

ments to the west of Daniel States of There is also less emphasis, so far, on high technology.

But just as the M4 provided the impetus of development and London's Orbiwest of London, London's orbi-tal route has provided the spur to the east, easing the transfer area. of freight, improving access to markets and to London, and bringing Gatwick and Heathrow within one hour's drive.

Thanks to this last improvement, American companies, which haven't so far considered Kent, are now taking a harder look, encouraged by its still competitive property prices. Industrial land, for example, costs between only £75,000 and £300,000 an acre compared with film an acre in the Western Cor-

But other factors have com-

way to the east of the M25.

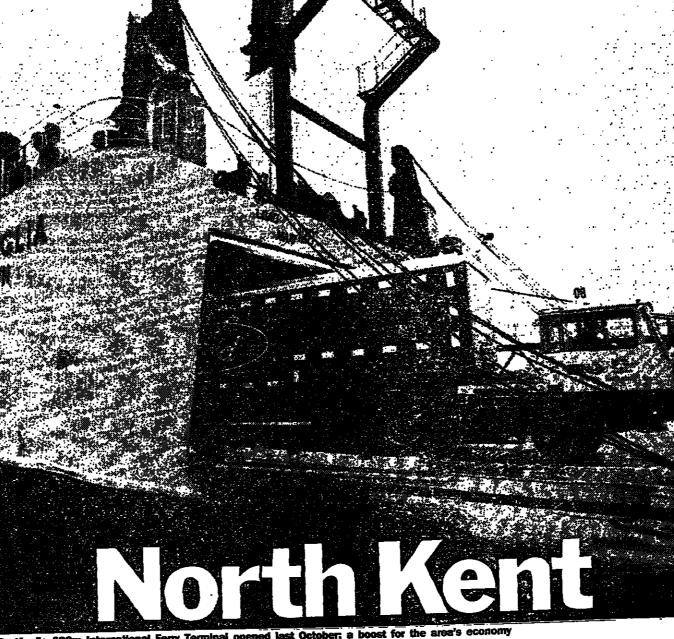
There are crucial differences.
The coastal strip's economy was, until recently, more reminiscent of parts of the North than the largely green field, campus-style developments to the west of London.
There is also less emphasis, so moved 20 to 50 years before, making them increasingly uneconomic and uncompetitive. In the event, it peaked at 18.7 per cent in January 1985, is now 13 per cent and is expected to 12 per cent and possibly further. Unemployment in Dartmills. "They all reached the end of the line at about the same time and closed down." says end of the line at about the same time and closed down," says industries such as cement and pavid Homewood, economic papermaking, fell by 5 per cent development consultant for the in five years. In Swale, the average is 13 per cent, approaching total of 2,000 may not seem a lot, but they were the big employers and between them some 6,000 to counteract the closure of the manual dockward at Sheerness

night."

Unemployment rose to more than 14.5 per cent and showed no sign of stopping, with a knock-on effect on smaller companies. At the same time, the Government announced the closure of Chatham Dockyard by 1984, adding several thousand to the number unemployed. A rise to 25 per cent in the Medway towns was predicted.

back in the 1960s.

In the regeneration of its economy, North Kent is not starting completely from scratch. Those companies that did survive the recession have provided a solid industrial base upon which to build. Pharmaceutical company, Wellcome, for example, one of Dartford's longest established employers, with a staff of 2,700 is continuing to expand.



In the event, it peaked at 18.7 people lost their jobs overnaval dockyard at Sheerness night."

naval dockyard at Sheerness back in the 1960s.

One of the area's largest employers is GEC Avionics. In the past 10 years it has increased its workforce by 1,700 increased its workforce by 1.700 and now employs 6,000. It has also doubled its factory floor space since 1977 to 1.05m sq ft. Each year, it places orders worth over £1m with local companies for a range of materials and services. Other long established firms operating in North Kent include Lucas CAV and Rowsters UK Paper.

Bowaters UK Paper.
In Dartford, market forces and, in particular, its close proximity to London, have generally been sufficient to bring about new development.
In the Medway towns, on the

other hand, a certain amount of enticement has been required, partly in the form of the capital allowance and rate-free periods available in enterprise zones, of which there are now six.

Their effect on the movement

of investment within North Kent

in general may have raised some questions. Parts of Swale might on the face of it have justified a zone or two. Yet the enterprise zones to the west have if anything diverted investment away from the borough, which has instead put together its own incentives to compete, including rent and rates packages. It has also concentrated on providing smaller units, a niche in the market, until recently not fully met by the zones, and stres-

sed the greater availability in the borough than elsewhere of freehold land at reasonable prices.

Within the Medway towns, the granting of EZ status has benefited both the zones and industrial estates beyond. In the first year after enterprise zone status was given to five sites, 90 of the 120 companies coming to North Kent went onto non-EZ estates. Now, only 4 per cent of the first prices in the first panies have "shot up" since the financial sector will be attracted to move into the area, "There are also some European firms looking at the possibilities of establishing a base in North Kent. Heras, a Dutch com-

status are vacant.

Over 150 companies employing some 3,400 have set up within the five zones established in 1983—Chatham Maritime, on part of what was the naval dockyard was declared in 1986. Of those 1,000 represent net job gains to North Kent. One of the most significant has been Japanese packaging manufacturers, Fuji Seal, which is starting production on its Gillingham Business Park site within the next month or so. It is the first Japanese company to

NORTH KENT: BASIC FACTS

on: 520,000 as Gillingham 0634 Gravesham 0474 337405 upon Medway

436666 Swale 0795 24341 Dartford 0322 27266 Kent County Council 0622 671411

Mid Kent College, Chatham 0634

University of Kent, Canterbury 0227

Tropical Development and Research institute (opening February 1989)

Development Status: Non-assisted but with six enterprise zone sites in Gravesend, Roche

pany making security fencing, recently set up a basic assembly operation in Sittingbourne, and, if it achieves a significant penetration of the UK market within three years, will commence manufacture on land it bought excess to its immediate requirements.

The hope is that those complete the only major employer. This applies particularly to those involved in the development of data processing systems. He believes that there will be real advantages in having competition for key jobs and that a steady growth in financial organisations will provide career development opportuni-

requirements.
The hope is that those companies with a distribution base established will be persuaded panies with a distribution base established will be persuaded to bring their manufacturing operation to North Kent also.

Tiffany Foods is the first example organisations will provide career development opportunities within the Medway towns and "create a commercial centre rivalling most others, with the possible exception of the City itself" example.
Mr Homewood is now hand-

Mr Homewood is now hand-ling business enquiries for Gravesham, Rochester and Gil-lingham at a rate of 20 a week, compared with 60 a year when the three councils decided to adopt a joint promotional adopt a joint promotoral strategy six years ago. He expects 150 of the 1,000 enquiries a year to convert into decisions to invest in the Med-way towns. It could be higher if land remaining within the enterprise zone is developed.

one of the areas of greatest future potential is the former Chatham dockyard, only recently cleared by English status are vacant.

North Kent Enterprise Office, Civic Centre, Strood, near Rochester, Kent, ME2 4AW. Contact: David Homewood 0634 732716

A joint body backed by the boroughs of Rochester, Gillinghem and

Gravesnam. Swale Enterprise Agency, Unit B4. Smeed Dean Centre, Eurolink, Sit-tingbourne, Kent, ME10 3RN; 0795

Kent Economic Development Board. Brenchley House, Week Street, Maid-stone, Kent, ME14 1RF: 0622 North-West Kent Enterprise Agency.

2A, Hythe Street, Dartford, Kent, DA1 Chatham, Kent, ME4 4UF; 0634

815081 Gatwick 40 miles Heathrow 55 miles

we are the only major employer. This applies particularly to those involved in the develop-

City itseif." The recent decision by Black Horse Life to move its headquarters into Mountbatten House in the centre of Chatham, a block which had been vacant for some time, was an indication that this trend may already be

under way. There is scope for diverting ome of the pressure for office space in the west of the county to North Kent, according to Lesley Egan. "Many companies tell us they want office space in the contra of Savancaks or Tunus they want office space in the centre of Sevenoaks or Tunbridge Wells, for example. We say terribly sorry but their policies of restraint don't give much scope. We then try to entice them with the advantages of North Kent, particularly its communications advantages.

North Kent stands to gain, in North Kent stands to gain, in addition, from the Channel Tunnel project, with the M20, once complete, providing a direct motorway link between the area and the tunnel's freight terminal at Ashford, itself unlikely to be able to fully absorb the be able to fully absorb the pressure for development. Faversham is already used as a raversnam is aiready used as a centre for the packaging and distribution of food to supermarkets nationwide.

"We won't suffer the infrastructure and environmental distribution but was

disruption, but we are extremely well placed to pick up a lot of industry and business from it which cannot be accommodated in the south of the county," says David Home-



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Chatham

dockvard

Dockyard founded by Henry VIII, provided a chance in 450 years to secure a future for the Medway towns. At its peak, 18,000 were employed within the one square mile complex, with its unique collection of his-toric buildings, three water basins and 11/2 miles of water-

frontage.

By the time the 1981 Defence
Review confirmed the closure, unemployment in the Medway towns had reached 14.5 per cent.
With the government decision
came predictions that it could
rise to 25 per cent. Optimism has now returned, however. A trust has been set up to develop the area's tourism and leisure potential. English Estates is dealing with a gathering momentum of inquiries to develop industrial, commercial and housing schemes and Med-way Ports Authority is bringing

life back to the port.
Rochester and Gillingham
Borough Councils and Kent
County Council, in an initial
assessment of the dockyard,
came to several key conclu-

sions:

—the oldest part, comprising 80 acres and 60 important ancient monuments had to be protected and its tourism opportunities

the majority of the 2m sq ft of premises in the central area were useless, had no historic value and could not be converted for modern industrial use. At the same time, the 350 acres that could be readily redeveloped was too large for any developed was too large for any single developer to handle. So there was a danger that piecemeal development might result, a possibility the councils were not prepared to contem-

three waterbasins, each of 25 acres, were in good condition and could provide an unique focus for future developments; the roads network leading to the dockyard was poor. It had handled mainly cars, with most freight being brought in by ship, so if the dockyard was to generate industry and lorries ate industry and lorries, Chatham's road network would need improving.

The three councils agreed that the historic area should be handed over to a trust to create a "living museum." The govern-ment injected £11m into the His-toric Dockyard Trust, but it was soon discovered that just to put buildings back into good order was going to cost £25m.

Since 1984, the trust has spent over £5m while, with sound investment advice, the capital endowment has retained its value, now standing at £12m. Our next step is to seek to sise the necessary funding, whether from grant aid or par-

THE CLOSURE of Chatham ticipation from the private sec-director, enthusiastically points

general manager of the trust.

"This is the largest concentration of scheduled ancient monuments in the UK and the most complete Georgian dockyard in the world. We are presented with the major challenge of keeping the character of the buildings but at the same time ensuring they are not mothbalbuildings but at the same time stimulate economic activity, ensuring they are not mothballed, by putting new and led, by putting new and create diverse employment opportunities, and maximise appropriate uses into their appropriate uses into their private sector's participation. rightful place. Wherever possi-ble, we're encouraging commer-cial activities of interest to visicial activities of interest to visit from government injection, of a tors, particularly in the craft total of £300m private sector sector."

There are already close to 40 businesses operating in the historic dockyard, with a total workforce of 250. Chatham Flag and Colour Loft, for example, is making flags on the site where flags for Nelson's Victory would have been made A former other enterprise zones in the flags for Nelson's Victory would have been made. A former other enterprise zones in the guard house is being taken by a firm that specialises in computer programming for maritime applications. An old ropery has been restored at a cost of £3m, and visitors can now watch ropemakers making ropes using ropemakers making ropes using old ropemaking machinery.

old ropemaking machinery.

The docks have been attracting over 50,000 visitors a year, and the total this year is expected to show a 50 per cent increase. "We see a steady growth year by year as we bring on new attractions, something for a return visit," says Bruce Robertson.

The target for 1990 is one quarter of a million visitors. Then the trust plans to hold a major exhibition of wooden shipbuilding in the Mast House and Mould Loft, expected to cost £3m to renovate. In 1995, with an exhibition telling the story of the seneration of iron clad the construction of iron clad ships, the visitor total is expected to reach ½m. But Bruce Robertson sees the

But Bruce Robertson sees the trust having a broader aim, of creating "a living community, providing a pleasant infrastructure for the growing business and residential community in Chatham." Nine acres of the dockyard has been designated for housing, and the trust is now in negotiation with developers for the refurbishment of a Georgian terrace. formerly officers' gian terrace, formerly officers housing, to create houses likely to fetch £4m, with the trust retaining the freehold.

retaining the freehold.

"We see our work and the plans of English Estates as being complementary. There is, indeed, every possibility that some of those working within the area being developed by English Estates will live in trust houses," says Mr Robertson.

Driving in his jeep across what at present has the appearance more of a bomb site, lan Parker, English Estate's project

Parker, English Estate's project

tor," says Bruce Robertson, out the unique possibilities pre-general manager of the trust.

tion. We expect a massive investment leverage, from a

The first 400 jobs were secured when two departments

of the Overseas Development Administration agreed to take a lease of some 300,000 sq ft of the former Pembroke Naval Barracks. Mr Parker says he is now receiving inquiries from large companies wanting to relocate, and high tech companies being forced out of the corridor west of London by the high house

The first commitment from a developer to build on cleared land came at the end of April, with the decision by Wilson (UK) Developments to construct 60,000 sq ft of traditionally-built speculative offices in two blocks, modelled on the style of the Pembroke barracks. The company won the scheme in competition with 14 other developers. With two further office projects announced at the same time, the private sector

time, the private sector has already committed £25m.
Units range in size from 50 start-up premises in an enterprise village planned by the local Enterprise Agency and costing £1.5m, financed possibly partly by an urban development grant and partly by private

Continued on Page 2

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103.392 6/86 Non ferross

95.3 12/85 Vegetable olis

80.149 8/85 Scrap metals

369.6

Manufacturing

ĢEC

Scott Page

Inchestries

Unileye

Co-Steel inc.

Laboratorie

Fisher Controls

GION (UK) pic

Other groups with significant operations in the area include: Wellcome, Dartford (pharmaceuticals); Vickers, Dartford (engineering); Edmund Nuttall. Erith (civil engineering); Lucas CAV, Gillingham (automotive equipment).

APV Baker

Sheli

forth Kent's big manufacturing companies

Rochester

Northfleet

Eith

Faversherr

Gillingham

Dertford

Sittingbourne

Erith Oil Works

Mover, Newman

Kurster Saphir

Linetes Wine

Shell Research

Alco Chemie VX

NORTH KENT 2)

Future for *dockyard

Continued from Page 1

money to units of 100,000 sq ft for major office relocations.
At the same time, English
Estates has earmarked the area in and around two of the basins for a new 900-berth marina, with restaurants, shops, offices and housing, while much of the housing development will be kept to the waterfront along the north of the Chatham Dockmand. north of the Chatham Dockyard.

The third, or eastern basin, remains the working dock for the Chatham Dock Company, part of the Medway Ports Authority. The MPA has already created four ro-ro berths, each costing £25,000 and has plans for a fifth. However, much of the investment in the port has been by the tenants, some £3m of the total of £9m invested since the transfer to the MPA from the Ministry of Defence under a 999-year lease. Indeed, the fifth berth, now awaiting the result of an appeal against planning refusal by Gillingham Borough Council, would be a joint ven-ture between the authority and one of the carriers, Norfolk

With Norfolk and four others operating out of Chatham, the port last year handled 1.4m tonnes, mainly from the Continent, the Baltic and the Mediterranean, and now employs approaching 500.

Chatham is designed to fill the

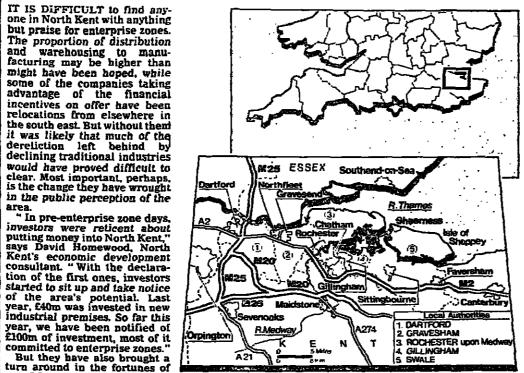
gap in the market, which MPA feels is not being met by either Sheerness with its brand new terminals which can prove expensive for small vessels, nor by the private wharves along the Medway often unsuitable for modern ro-ros.

However, the prospect of increasing traffic into and out of the dockyard area as a wholethe port alone is generating declared in 1983—Chatham 1,000 lorry movements a day through Chatham—is leading to demands for a new direct link to the A2(M2) and M25 motorways and a third bridge across the Madura Kent County C and a third bridge across the Medway. Kent County Council has agreed that the scheme, Rochester. Factory closures left 750,000 sq ft of the 1m sq ft of industrial premises on the 100 costed at over £40m, is necessary, but it is unlikely to get underway before 1993, unless acre site empty, much of it large space, averaging over 100,000 sq private sector and or central government finance is forth-Within three months of EZ sta-tus being given, all except one

Alastair Guild

Enterprise Zones

A turnround in perceptions



of these buildings had been bought by .companies for refurbishment. Tesco spent £5m on the refurbishment of 300,000 sq ft for a major distribution depot, Nestledown, the bedding manufacturers, moving from Maidstone where it occupied 45,000 sq ft, took 70,000 sq ft while Stonefield, involved in truck assembly and gear box manufacture, took 100,000 sq ft. Every available plot of land

within the zone has since been taken by speculative develop-ers. Blue Circle, for example, is holding 120,000 sq ft. Since Temple Enterprise Zone was declared, 1,200 jobs have been brought back to the area, while new speculative building is likely to bring a further 600 jobs on to the estate within the next 18 months. Meantime, most of

the zone's boundaries, and it was sold before construction was complete. Gillingham Business Park, with direct access to the M2, via the A278 dual car-riageway, has proved to be another success story, though there has been a greater bias towards distribution and warehousing than was ori-ginally envisaged. "The park has begun to change the public's image of Gillingham as a whole," says William Ault, the borough's development officer.

The borough council has retained the freehold to the 120 acre site, granting a long lease to the developers Grosvenor Estates. As landlord, it also has a say over design and layout. "It has been a deliberate policy of the council and Grosvenor Estates to stage development

within the zone, with 40 acres left for development. With 1m sq ft already complete or under construction, 1.300 new jobs ing 25,000 sq ft, while Neptune have been created. The target is 2m sq ft with over 2,000 jobs.
The close links between Gil-

lingham and Japan—the borough is twinned with the towns of Yokuska and Ito-was one factor in the decision of packaging company. Fuji Seal, to purchase a three acre site on the business park last autumn. Other companies with manu-

facturing on the park include Tiffany Frozen Food, bringing 100 jobs, and Ameeco Hydro-space, part of Plessey, and making high tech underwater sys-tems. Much of the remaining space is taken by distribution. The latest speculative buildings of two self-contained headquarters offices were recently completed. The larger building of 37,600 sq ft has office capacity of 3,550 sq ft while the smaller one of 20,250 sq ft has 4,370 sq ft with rents for both expected to reach The latest speculative buil-

£4.20/sq ft. All previous specula-tive phases have been let and are fully occupied.

Medway City Estate in Rochester encountered initial difficulties, but has since become North Kent's fastest growing industrial estate. Built on mud flats reclaimed from the River Medway, much of the area comprised soft infill. It was in multiple ownership, but the owners did not have the resources to put in the services that would be necessary to make

industrial development So Rochester-upon-Medway city council bought 7.5 acres of

enterprise zone land under an agreement that all the purchase money was to be used to fund the provision of infrastructure. Two years later, once the roads were built and services provided, the council sold the land at a profit.

Of the 75 acres with EZ status, 30 acres have since been taken by owner occupiers. Vaillant, the factories around the zone's and carefully pick and choose fringes have expanded. One developer built 80,000 sq ft of speculative units just outside spe

ing 25,000 sq ft, while Neptune Industries, a Norwegian company in a joint venture with Unichem, employs 50 in the pro-duction of disposable nappies, expecting to build up to 80 employees. Reader Insulations, distributor of insulation and roofing, relocated to the estate from Maidstone, while local company Cliffe Construction took the opportunity to move in and expand.

The remaining 45 acres has been bought by eight speculative developers.

Of the two enterprise zones in Gravesham. Springhead, on a greenfield site four miles from the M25, is the furthest the M25, is the furthest advanced. The borough council retained the freehold, granting a long lease to St Modwen Propa long lease to St modwen Properties. The enterprise park is virtually complete. The largest unit is a 98,000 sq ft computer-controlled distribution centre, but there is a range of smaller units, of up to 20,000 sq ft, two of them already occupied and the remaining two let. It is hoped to

provide a total of some 800 jobs on the 28-acre park.

The 40-acre Imperial Busi-ness Estate has proved to be more problematic. Reads esti-mated it would cost £4m to clear the site of its old paper mill and put in a new access road, and that it would require both enterprise zone status and an urban development grant to make it viable. The UDG was not forth-coming so it sold on to Thomson Properties.
Thomsons put a bitumen and

cement tile plant onto the site, bringing only 150 jobs. The borough council has been in negotiation ever since to get the area made available for higher levels of employment and light industry. Recognising that £4m would still be needed to clear the site Gravesham waived its objection to a retail element within the zone, with money from an Asda superstore contributing development towards the cost of clearing the land and putting in a new £1m road through the site.

Alastair Gulid

SPORTS & LEISURE DEVELOPMENTS p.l.c.

non-EZ industrial estates.
"Small to medium sized com-

panies, initially attracted by the

publicity given to the enterprise zones and unable in the early days to find suitable premises,

liked what they saw on existing

industrial estates, and bought premises. Of the 120 companies that moved into the Medway

area in the first year of enter-

prise zones, 90 went on to non-

Of the five enterprise zones

ft and dating from the 1950s and



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Dartford

Investment on a massive scale

Kent is, in many ways, a mirror of south west Essex across the Their landscapes,

much of it worked out quarries are gradually being transformed with private sector investment on a massive scale.

Nowhere is this more evident than in Dartford. In a 50-50 joint venture, Blue Circle Industries, which owns one quarter of the borough and Municipal Mutual Insurance have completed the Dartford the Companies, employing between the companies, employing between titure, is the second most significant. The fall in unemployment, Indicative of Dartford's success in attracting investment is the shortage of industrial premises. Of its six industrial industrial requirements. It prices itself particularly on the purpose of smaller companies, employing between the complete, offers most offer while negotiations are already underway with several large companies interested in taking space within Crosssways 25 Business Park, the DIFT's sister

The transformation of Dartford's landscape has been matched by its changing industrial profile. All but one of its traditional major employers of engineering cement, paper and pharmaceuticals have scaled down dramatically in recent

in administration and manufacturing. Vickers, making furniture, is the second most signifi-

abilities within its pool of work-ers, with currently around 80 per cent made up of managerial, skilled or semi-skilled people. Dartford also believes it is an

ideal location for companies seeking to escape the high over-

heads of London, while remaining within easy reach of the main centres of population.

Just 17 miles from London, it

years. The drugs company, Well-come is now Dartford's largest struction of a third Thames employer, employing some 2,700 crossing. The enabling bill is now before Parliament, with completion of the four lane

scope for expansion. The council would like to see 1,500 jobs provided on the business park But Crossways 25 is also likely

to provide an important backup for users of the ferry terminal, allowing them to base their offices, transhipment and offices, transhipment and distribution depots close to the port DIFT, which will take any size of vessel at any state of the is already in a prime location tide, became operational last astride the M25 and A2 trunk October, with a daily freight serroads. Communications will be vice to Zeebrugge. A second

signed up for a freight service to Scandinavia, while there are plans eventually to create a terminal for passenger traffic. Dartford is seeking to take full

operator has already been

advantage of the trade opportu-nities created by the port, with the council represented at a number of overseas exhibitions in Sweden, Holland, East and West Germany, and Portugal.

A major element of the £650m of private sector investment now committed to Dartford is tied up in retail and commercial proposals. In April, Burton Property Trust signed an agree-ment for a £20m redevelopment of Dartford town centre. Blue Circle has plans for 1m sq ft of out of town retail warehousing on a disused chalk quarry. The Blue Water Park develops being supported by Dartford Borough Council, but is likely to be called in by central govern-

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financial incentives until 1996, including 100% capital allowances for either corporate or income tax purposes and a

10 year exemption from local authority rates. Should you wish to become a part of this exciting raterside development, then contact English Estates,

Pembroke, Chatham, Kent ME4 4UF. But, with only a limited amount of Enterprise Zone land available, you'll need to move fast!

CHATHAM

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Kent Development Board

An interventionist approach

AMID THE profusion of approaches towards economic development in the English regions, the Kent Economic Development Board stands out as an unusual example of a shire county working to create a strong economic base by means of planning and even interven-

The Board was set up by the county council in 1934, as a response largely to the decline and restructuring of Kent's traditional industries which were located mostly in the north of the county.

To outsiders, the image of Kent is firmly that of the garden of England. The reality is that around 50,000 jobs have disappeared since 1979 in basic industries like paper and cement, and from the naval dockyard at Chatham. Meanwhile, the importance of the Kent coalfield is dwindling.

Add to that the continuing decline of the traditional "bucket and spade" tourist trade around the coast, and par-ticularly in the Thanet towns where unemployment is sometimes as high as 26 per cent, and the need for a planned and sustained approach can appreciated.

The task is to create 30,000 jobs over 10 years. That means identifying and fostering an alternative economic base while working to hold on to

traditional employment as far as possible. In industry terms, Kent is seen as "low-tech." The aim is to raise that image so as to attract higher value-added

manufacturing, research and

employment.
Wisely, the small executive staff of the Board—drawn from the private sector—did not rush to identify the sort of activity that might provide such opportunities. Themes, however, are beginning to emerge: pharmaceuticals, bio-technology, medical supplies. In putting together a package of attractions to potential employers, the Board can call on expertise at the University of Kent which is anxious to develop collaboration with industry.

A landmark in the Board's promotion activities was the decision last summer of Fuji Seal, the Japanese specialist packaging group, to build a new plant in the Gillingham business park as its European base. Initially, 50-60 are employed, which is expected to rise to over 100 shortly. The link with Japan has been

strengthened by an information exchange agreement between the Board and the Sanwa Bank to promote co-operation between the county and Japan through inward investment, joint ventures, licensing agree-ments and technology transfer.

Business in the US is also being wooed by the Board, and, in full knowledge of the import-ance of the Channel tunnel, close links have been developed with chambers of commerce on the Continent Kent has a lot to offer in terms of communications, closeness to London, pleasant surroundings, a trained industral workforce, and many other advantages in selling itself overseas. But over-

development, which will help to form a stable base for long-term employment. seas promotion traffic is notor-iously overcrowded. Missions from all over Britain are constantly hammering on doors around the world.

The Board, from the start also recognised that encouraging its existing industry to expand was necessary. Small business and start-ups have just as important a role in the future economy of the county.

Kent Investments is a venture capital fund subsidiary. It offers equity capital in the range £20-100,000, but will not subscribe a controlling equity stake. The preference is for manufacturing ventures; and, to date, its invest-ments include backing a company developing distance lear-ning technology, and a new plastic welding process which uses hot air.

By bringing together the pro-vision of equity finance—albeit on a small scale—advice, help with training, plus overseas promotion, Kent is alming to

operate like a mini regional evelopment agency.
The council, in setting up the

board, was careful to involve local industrialists. Non-executive directors include repre-sentatives from some of the major industries as well as lead-ing members of the council Mr Robert Emerson, managing director of the board, is also a council member. Kent has good communica-

tions in many respects. But, as an advisory body to the council, the board lobbies for particular improvements. It also has a major assignment to ensure that the benefits of the Channel tun-nel do not work to the advantage of one area of the county while another area—particularly north east Kent—suffers. Work-ing with Eurotunnel, it is also siming to ensure Kent industry area particularly secures a significant share of the procurement needs.

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Brenchley House, Week Street, Maidstone, Kent ME14 1RF. Telephone: 0622 679976 USA Representative 215 574 9000 Telex 286971 PSCO UR Japan Representative 03 479 3938 Telex 1 25307 HARASSOC WHILE MANY in Sweden's business fraternity are still recling from the after-effects of the Fermenta scandal, there are a few who feel they were extremely lucky to extricate themselves from the scandalriddled antibiotics and chemicals company in good time.

One such name is Erik Danielsson, the managing director of Pharmacia, Sweden's leading pharmaceuticals and biotechnology company.

For while other business names rushed in and out of the Fermenta boardroom line-up with almost as much doorbanging as in a Feydeau farce and subsequently faced insider trading investigations as well as the possibility of being used by private investors, Danielsson managed to extricate Pharma-cia from Fermenta's clutches at a fairly early stage in the latter's downfall.

latter's downfall.

The story starts over a year ago when Volvo announced ambitious plans designed to shake up and restructure the Swedish biotechnology and pharmaceuticals sector. Volvo wanted companies like Pharmacia, Sonessons (and its two subsidiaries, Leo and Gambro), under one roof, controlled by Fermenta and ultimately Volvo itself.

The grand design went horribly wrong when it tran-spired that the mercurial Refaat El-Sayed, the driving force behind Fermenta, had lied about his academic credentials. As confidence in Fermenta evaporated, the deal with Volvo fell apart. It has been a down-hill slide for Fermenta ever

since.
The same could not be said for Pharmacla, which has gone on to achieve much of its original goal in building up a powerful biotechnology empire. Pharmacia came out of the plan with virtually no mud sticking even though outsiders suggested that Pharmacia had engineered the collapse in negotiations because it felt miffed at having to take a backseat role in Volvo's scheme.

Danielsson denies that charge and says simply that Fermenta and Pharmacia showed "no synergy." He admits that Pharmacia asked El-Sayed for proof of his doctorate ("because our research scientists thought it might be of interest to them"), but will not discuss how the information leaked out, except to say that Uppsala (Pharmacia's home town) is a small gossipy university town where secrets are hard to keep. Though the Fermenta scandal shook confidence in the Swedish stock market, it does not appear to have damaged the reputation of the whole biotechnology/ drugs sector or its two most powerful and international

companies, Pharmacía and



Pharmacia: building up a powerful empire

Sara Webb on the Swedish pharmaceuticals and biotechnology group

Ironically, Pharmacia has since set about doing the things which Volvo wanted from a major biotech and drugs force, since Danielsson recognised at an early stage what Pharmacia needed to do: strengthen its medical company, and agreed to distribution rights for certain ing: make strategic acquisitions in order to stay at the forefront of the biotechnology field; strengthen the ophthalmics division by acquiring a lens manufacturer; and expand in the Japanese and US markets.

His concern was that, without a concerted effort to expand, Pharmacia could be left trailing in the rapidly developing bio-technology field. He believes that by the end of the century the market for genetically engineered pharmaceuticals and diagnostic products will have grown by as much as one hundred times. It was therefore imperative for Pharmacia to strengthen its position through

However, Sweden's small size -in terms of suitable takeover targets and research expertisemeant that Danielsson had to shop around overseas. With these goals in mind, Pharmacia has over the past

● LKB, the Swedish_instruments and chemicals company, for SKr 1.3bn.

It has also set up a genetic engineering research centre in Catifornia and a new company in Sweden for research into biosensors, which are used to detect and measure biological

substances such as proteins in blood serum. The strategy has taken its toll on the balance sheet. Pharmacia wrote off intangible assets of

Today, Pharmacia consists of four business divisions—bio-technology, opthalmology, diagnostics and health care. Danielsson's strategy has been, as he puts it, to "fill in the missing parts of the jigsaw puzzle." year acquired:

Leo, a rival Swedish pharmaceuticals group, for SKr 3.3bn;

Intraocular together were calculated to help Danielsson—dubbed the king of biotechnology—achieve his ambition to dominate certain niches in the US, European and Japanese markets in the next 10 years. Thanks to the acquisition of LKB and a marketing agreement with Electro Nucleonics (ENI), his earlier plan to sell of the lass represent vitage. off the less successful diag-nostics division has been laid to rest—at least temporarily.

Perhaps the most important move was the acquisition of Intermedics Intraocular, a Californian optical lens company. This will enable Pharmacia to sell lens "packages" for eye cataract operations. Pharmacia's wrote off intangible assets of SKr 52nm related to its recent acquisitions. Profits (after financia; items) rose to SKr 3.65bn, and the group made what analysts regarded as a rather conservative forecast of profits of SKr 1bn on sales of SKr 6bn also be able to supply lenses, which account for around \$200 also be able to supply lenses, which account for around \$200

to \$300 of the operation. In the US, the total number of cataract operations performed has increased dramatically from creased dramatically from 70,000 in 1981 to 1,2m in 1986. Intermedics also already has annual sales of \$7.5m in Japan, where Pharmacia is planning

الد الميافية ولد بالفقية المنتشر ولند

and Intraocular lens "pack-

Pharmacia's biotechnology and diagnostics activities, particu-larly the manufacture of equipment for the separation and analysis of biochemicals. "Both companies were

approaching the same goal, but from different directions," says Brian Knox, who specialises in Scandinavian companies at Kleinwort Grieveson.

LKB, which previously had been seen as a competitor to Pharmacia, will continue to market its product range

Separately.

Pharmacia leads in diagnostics in Europe and Japan, but has no real presence in the US. LKB and Electro-Nucleonics US. LKB and Electro-Nucleonics (ENI)—a company which last autumn gave Pharmacia a 20 per cent stake in exchange for distribution rights to Pharmacia allergy and diagnostic lines—can help here. ENI has a strong marketing presence in the US.

the US.

Elof Johansson, head of Pharmacia's research and development, believes allergy testing will prove an important growth area in future.

Meanwhile, the attraction of the Leo purchase was that it gave Pharmacia a strong line in anti-cancer drugs, central nervous system drugs, and Nicorette, a prescription chewing gum which is meant to help smokers kick the habit.

The health care market should provide "significant growth" in the future, according to Bertil Tiusanen, the finance director. He sees drugs pumps for patients as a promising area.

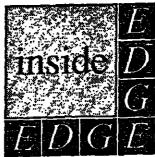
ing area.
In a further development

Pharmacia has set up a venture capital company, raising SKr 225m from Swedish companies, specifically to speed up its research into biosensors. Pharmacia had been worried that this project would languish on a back burner, but it now averett to launch its first expects to launch its first biosensor products by the early

Pharmacia Though attracted plaudits for much of its strategy there are some observers who are less than full of praise about its Leo acquisi-tion. Leo was part of Sones-sons, and after Volvo bought up the rest of Sonessons it started to sell off various pieces. Many feel that Leo—basically a many reel that Leo—basically a traditional drug company—was "palmed off" on Pharmacia and that Pharmacia merely bowed to pressure from Volvo.

Pharmacia vigorously denies the charge and describes Volvo as a "sleeping partner" rather than a aggregative bully. And

than an aggressive bully. And while Nicorette is considered an unusual product by Phar-macia's standards, Danielsson insists that it is a "tremendous cash cow. We could sell it for what we paid for Leo."



IT WAS an apparently trivial incident which persuaded Sydney Jackson that he needed to think more seriously about his retirement: his secretary was late with the morning mail. During his 35 years at Esso Petroleum, he had always enjoyed receiving letters. Someenjoyed receiving letters, some-times people had written to congratulate him on a job he had done. Other letters raised a problem that needed solving. He liked the subsequent chal-lenge. On the day that his mail was late he realised how much he would miss all that.

he would miss all that.

His original retirement plan had been to devote more effort to his church and DIY activities, waiting to see if any partime offers of work came along. After the incident with the mail, he decided he needed something more demanding. Last month he took on a new role in a world far removed from oil refining, tankers and pipelines: the chairmanship of the East Dorset Health

the East Dorset Health Authority.

Jackson joined Esso straight out of university. During his out of university. During his time with the company he managed a refinery, ran tanker fleets and the Esso pipeline system, and spent two years in New York advising the board of Exxon, Esso's US parent, on marine matters.

Esso managers can stay until the age of 65, but Jackson decided to go at 60. He wanted to spend more time with his to spend more time with his wife. He also thought it would be better for his health. "If you look around, you'll see that neople live longer if they retire that bit earlier" he says.

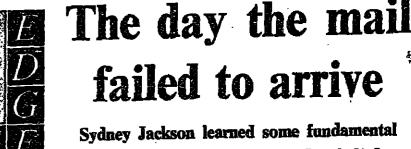
Esso's management development co-ordinator had already suggested that Inches con an suggested that Jackson see an outplacement consultant — an agency which helps to find new jobs for redundant and retired managers. Despite some initial

reluctance, he eventually came round to the idea.

"I realised that if I wanted to do something proper in my retirement I had to go about it seriously. It's almost like getting was a board in court ting your case heard in court. You get a barrister. You don't try to do it your self like an

amateur."

After he stopped working at
Esso last October, he had an
initial interview with outplace-



failed to arrive Sydney Jackson learned some fundamental lessons when he retired—and switched

career. Michael Skapinker reports long list of questions to answer about himself. "For two weeks I scribbled on pieces of paper. When I actually came to write the was those letters again. it up. I started at 8.30 on a Sunday morning and, apart from lunch, I carried on until 6. You are analysing the whole of your 35 year career—and more.

It's very important to pull out what your strengths are."
Together with a Sanders and ingenier with a sanders and Sidney consultant, he then analysed those strengths. What were they? There is a long pause. "He'll tell me off for this. I should have it on the tip of my tongue." Finally he



jackson: from oil to health

"A well-rounded remembers. manager with a track record of getting things done." He and the consultant did have one big disagreement. It the problems were different. I was about the word "tough." found that the symptoms were "He insisted that my career details showed I was tough. I were the same. It's about disagreed. So he suggested people and getting them to do that two managers who had things. If you have a bunch of worked for me in the last three metallurgists. If you have a bunch of marine, everyone said that the problems were different. I the problems were different. I were the same. It's about people and getting them to do that two managers who had

"People don't respond to your letters. Well they do, but it takes a long time. When you're in business, you're churning out letters and pushing things along. If a letter ing things along. If a letter takes two or three weeks to get a reply, you don't notice it because of all the other stuff. Here I was really getting peeved. Why don't people write back to me? You feel irrelevant. Somebody said there's nothing more redundant than an ex-politician. Well there's nobody more irrelevant than an ex-manager."

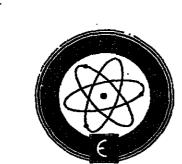
Finally in January, some thing came up: a non-executive directorship with a small com-pany which arranges boat shows. The three-day a week chairmanship of the health chairmanship of the health authority came through Esso, which had been asked to suggest names of managers to work in the public sector. Doing both jobs still leaves him time for his other interests. Jackson spent two months talking to health service employees before taking up the reins. He has not detected any resentment at the man from the oil industry. "So far I haven't had any adverse comments. We're still in the honeymoon period."

All the same, he knows that some health service profes-sionals doubt that industry management skills are transferable to hospitals. But then he's heard all that before.

"When I went from refining to marine, everyone said that things. If you have a bunch of metallurgists or computer specialists, they have the same professional pride that surgeons and physicians have and they worked for me in the last three years write down on a piece of paper what they thought my management style was. They both included the word tough."

They both included the word tough. They have the same physicians have and they don't understand the need for management. But once you get a number of people working for the street word. initial interview with outplace but life away from Esso was you you're into management. I ment consultants Sanders and not easy. After years of being can't perform an operation. But Sidney. Jackson was given a manager, Jackson found him-I can motivate people," he says.

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FRENCH FINANCE

French investment banker makes discreet comeback

MR GEORGES PEBEREAU, the former head of CGE, the French telecommunications and heavy engineering group, is making a discreet but well noted come-back on the French and international financial scene.

e m

During the last few months he has set up an investment bank, Marceau Investissements, and a separate financial engineering company raising more than FFr 1bn of capital. By the end of this year, with leading French, European, and other international partners, he expects to have raised about FFr 1.5bn in funds.

"My time in the wilderness was shorter than I expected," says Mr Pebereau, who was replaced at the head of the now privatised CGE a year ago by the Government after clinching the landmark telecommunications merger between CGE's Aleated subsidiary and CGE's Alcatel subsidiary and

At the time, Mr Pebereau took his surprise replacement sportingly, announcing that he would temporarily step out of the limelight to meditate and look at the sea.

"In fact I went down to the Cote d'Azur, where I met Mr Gustave Leven, the chairman of Perrier, and Mr Jean-Louis

True to his reputation as a virtuoso of French finance and industry, he set about his task with zeal. By April this year he had raised FFr 600m for Marceau Investissements. His partners included Mr Leven and Mr Descours, who personally contributed FFr 60m each. Other investors included the

Caisse de Depots, the big state financial institution, Axa, the insurance group, and a financial group. Each invested FFr 120m



Georges Pebereeu—set about international investment banking business with zeal.

in the enterprise. A subsidiary of L'Oreal, the cosmetics and beauty products group, Mr Pierre Moussa's Pallas investment group, and a subsidiary of the Paluel Marmont financial

Perrier, and Mr Jean-Louis
Descours, the chairman of the
Andre shoe group. And with
them I discussed the opportunity of starting up an international investment banking
investment banking
says Mr Pebereau.

See a second with the Suez financial group
and BAT's Eagle Star insurance
subsidiary putting up FFr 120m
each. Between them the West
German Westfelen bank, Julius Baer of Zurich and Mr Edmund Safra have invested FFr 180m. Mr Pebereau is seeking to

further extend the capital base of his new venture, possibly taking in a US partner, a Japanese investor and a group from the Middle East. "We have already raised FFr 1.02bn and I expect we will have raised about FFr 1.5bn by the end of the year," he says.

Among the first major investments made by Mr Pebereau's already up our sleeves," he says.

new financial group is the acquisition of a 0.5 per cent stake in Societe Generale, the French commercial bank currently being privatised. Marceau lovestissements has thus become one of the so-called core shareholders in France's third largest commercial bank. The stake will have cost about FFr 120m.

The new group has also invested in a small stake in the Laurent Perrier champagne house and taken a stake in a medium-sized company called Franciaflex, which specialises in manufacturing blinds and which is eventually to be listed on the French second market.

At the same time. Mr

At the same time. Mr Pebereau has been actively engaged in a number of mergers and acquisitions, showing an undisguised gusto at being involved once again in international dealmaking.

He played a part in the recent acquisition by Perrier, the French mineral water group, of BCI Arrowhead, the mineral water division of Beatrice Food. He also helped engineer two recent UK acquisitions in France, including the FFr 37.5m purchase by Avon Rubber of an industrial rubber subsidiary of the Bic group and the FFr 42m purchase by Prestige, a British subsidiary of American Brands, of Le Creuset, the leading French manufacturer of

casseroles and saucebans. Recently there has been regular speculation that Mr Pebereau would land a major new job in the state sector his name has been mentioned in the past in connection with the presidency of the French electricity board and the state railways among other groups— but the former CGE chairman has made it clear that he is devoting all his energies to his

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FINANCIAL TIMES SURVEYS '

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EQUIPMENT **OFFICE**

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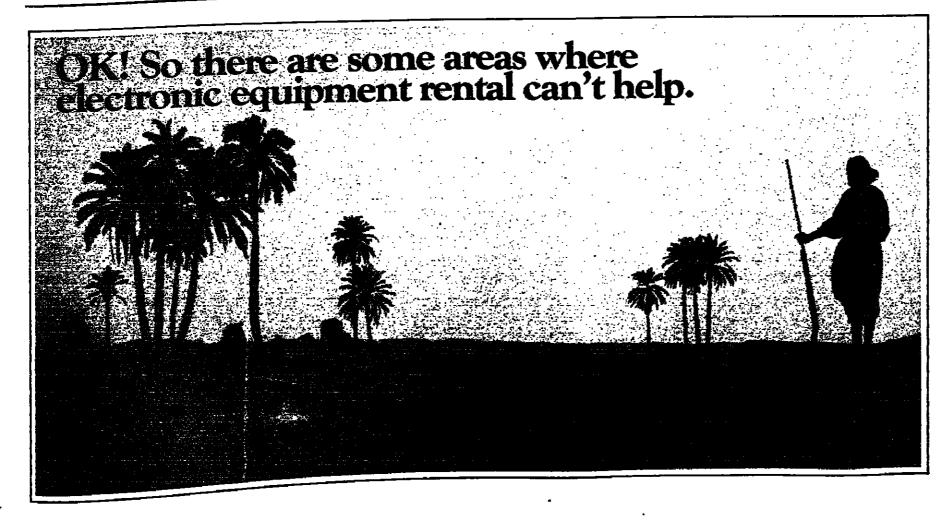
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LATIN AMERICAN INDUSTRY

Latin America treads a tangled path towards privatisation

BY ROBERT GRAHAM, LATIN AMERICAN EDITOR

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29th June 1987

WITH LITTLE fanfare, privatisation has crept into the economic and political vocabulary of Latin America. All the larger countries at least pay lip larger countries at least pa

enterprise.

The essential difference from, say, Thatcherite Britain, is that Latin American privatisation is taking place in the context of what is still, at best, a limited free market economy. Privatisation has been taken on board largely as a consequence of the debt crisis, which since 1983 has obliged governments to be far more conscious of cost cuts and more conscious of cost cuts and efficiency.

The most notable exception has been the military govern-men of Gen Augusto Pinochet in Chile, which has openly embraced the free market views of the Chicago School. The Pinochet Government wants to the minimum and regards the private sector as the principal motor of future growth.

Broad motives

To date in Latin America one can identify six broad motives behind privatisation:

 Lessen the role of the state
 Improve management.
 Return to the private sector companies the state was forced to acquire, or which were nationalised by previous governments.

• Widen the base of share

• Raise extra resources for the treasury.

Treasury.

Generate domestic and international business confidence.

The three most illustrative countries which have embarked upon a programme of privatisa-tion are Argentina, Chile and Mexico. Of these, only Chile could be said to be privatising for a combination of all the

The Alfonsin Government in Argentina, on the other hand, has initiated privatisation to

lary of Latin America. All the larger countries at least pay lip service to the idea. But the aproaches to the concept and its implementation differ enormously.

The state, in various guises plays a dominant role in many Latin American economies, reflecting a dirigiste view of economic policy and development. The private sector itself tends to regard the state as a handmaiden of initiative and enterprise.

The essential difference from, say, Thatcherite Britain, is that Latin American privatisation is taking place in the context of what is still, at best, a limited privatisation programme was begun in 1974, it suffered a serious setback as a result of the economic collapse of the early 1980s, when the Government was forced to step into the country's three main holding companies and several of its banks.

banks.

The programme has regained momentum only during the last two years. Yet it remains inspired by the same ideological considerations—a desire to move Chile irrevocably away from the socialist philosophy of the Allende era and to break the Allende era and to break the power of organised labour.

Assets selected

The assets selected for privatisation in these three countries show no overall pattern; rather, they tend to pattern; rainer, they tend to reflect the political reality of what it is possible to hive off in economies with strong vested interests in both the state and private sectors.

Thus in Mexico, President de la Madrid acted slowly in

la Madrid acted slowly in privatising the banks because he could not be seen to be over-turning quickly his predecessor's decision. He began in 1984 by selling off the banks' holdings in 339 companies (including financial service companies). He started the process of selling off minority stakes in the banks themselves only this year.

only this year.

The Mexican Government recently pledged to reduce its holdings to 300 strategic companies by 1988—a quarter of the number inherited at the outset of President de la

for a combination of all the above motives.

Apart from banks in 19 of the government of the government has been primarily concerned to restore business confidence and remedy the negative consequences of the hasty 1982 had been antionalised two years above motives.

Apart from banks in 19 of the 350 companies then privatised were transferred back to their original owners in 1974.

In Mexico in 1984, former shareholders in the banks that tourism (Nacional Hotelera, the sequences of the hasty 1982 leading hotel chain) and parts

The Argentine government has earmarked Austral, the domestic airline, for privatisation and is pressing ahead with plans to sell off peripheral parts of the huge railways organisation. It also believes in cutting some of the service activities of YPF, the state oil company, as well as selling the petrochemicals side of its business. However, the core eleperrochemicals sine of its business. However, the core elements of oil, transport and the utilities are all likely to remain in state hands.

Gradual sales

Chite has opted for a far broader divestiture. The Government is in the process of gradual sales of shares in utilities (Endesa, electricity generation, and Chilelectra, electricity distribution), telecommunications (Telex and CTC), as well as steel (CAP) and industrial activities like nitrates (Soquimich)—as well as banks.

as banks.
Significantly, Codelco, the copper mining concern, appears likely to remain in state hands, though with the field left open for domestic and international companies to develop their own

companies to develop their own mines.

Unlike privatisation in Britain, for example, Latin American governments do not regard the raising of funds for the treasury as a high priority. Many of the companies and financial institutions being sold have been restructured, with the state often still hearing some of the debt. still bearing some of the debt. Only Chile stresses the point that privatisation is a useful source of extra revenue. By the end of this year the Pinochet government hopes to have raised over \$500m from the sale of shares in 23 companies

over a two-year period.

Initially, the preferred mechanism for privatisation was to invite interested groups of recent launch of bank shares produced widespread allegations that packets of them all or part of the shares on the basis of tender or a negotiated price. In Chile, 311 of the 350 companies then privatised were transferred back to their original owners in 1974.

being encouraged to make retirement arrangements through share purchases. In Mexico, the recent launch of bank shares also produced widespread allegations that packets of shares had been allocated to government supporters.

Latin American governments have been cautious about letting foreign investors in on the privatisation process—both to over a two-year period.

Initially, the preferred mech-

pensation for the takeover.
First Chile end now Mexico
have moved on to a more sophisticated stage. Shares in companies being privatised are being floated on the stock exchange, opening up the possibility of wider ownership and of a more market-oriented

approach to valuation.

This has not been easy for the respective governments. They need to make the shares attractive yet want to avoid the charge of selling off national assets too cheaply. In Mexico, assets too cheapty, in mexico, the country's three leading banks—Bancomer. Banamex and Serfin—this year launched new stock equivalent to 34 per cent of their paid-in capital. The stare quickly doubled, and in one instance trebled, their launch price, leading to a politi-

cal outery.

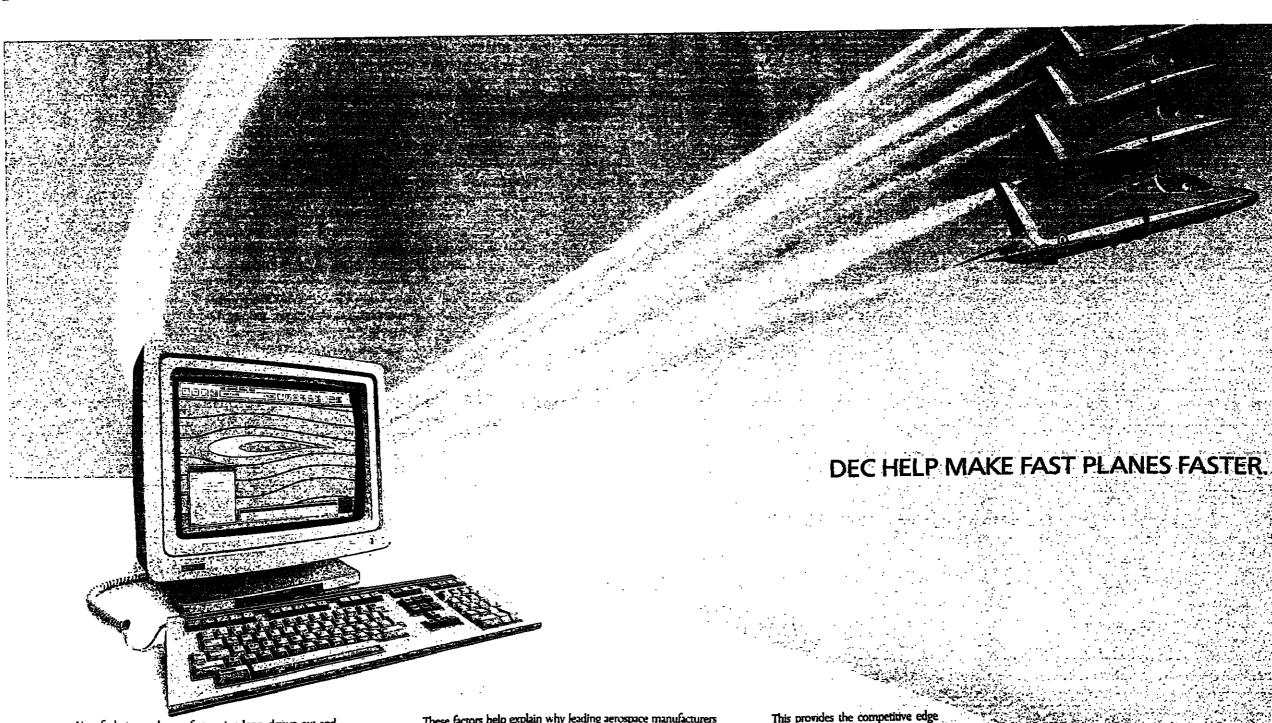
The dilemma is a serious one for the governments. The share price needs to be attractive to encourage investors. The Argentine Government is currently

time Government is currently having to delay the Austral airlines privatisation because of disagreements about pricing.

By launching privatisation through the stock exchanges, the governments hope to stimulate the growth of local capital markets. Pension funds have begun to play a bigger role and indeed are relied upon to be significant purchasers. In Chile these institutions are managing an annual \$1.7bn.

Share ownership

Share ownership has un-doubtedly begun to spread, yet the respective claims of govern-ments need to be examined carefully. It is not so much the public at large that is buying shares; rather, employees are being offered company shares on favourable terms or are being encouraged to make re-



Aircraft design and manufacture is a long, drawn out and expensive process. Leaders in the industry are constantly looking for anything that can reduce the development cycle and the time between

investment and payback. in recent years computers have been used to help speed up testing.

design and manufacture. With Computer Aided Design (CAD) systems it is possible to simulate wind tunnel testing without the expense of prototypes. Component production can be checked for accuracy on the shop floor while flight simulation has become a crucial part of the testing procedure.

These factors help explain why leading aerospace manufacturers like British Aerospace, SAAB. Vickers and Boeing are now also using Computer Integrated Manufacturing (CIM) systems supplied by DEC. the world leader in networking.

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Architecture/Colin Amery

Cathedral from which lessons can be learned

Coventry is much more than its cathedral. It is a city that has an infinite capacity for selfrenewal. Its resurgence from the rains after the hideous bombing of 1940 has inspired regular subsequent revivals. From Jaguar cars to the football team's triumph in winning the FA Cup, there is evidence of energies not yet identified in other cities suffering from over-doses of inner-city gloom.

There is an opportunity to recapture some of the excite-ment of the rebuilding of the cathedral in an excellent exhibi-tion at the Mead Art Gallery in the University of Warwick's Arts Centre (until July 12). The cathedral today still has come of the architectural power that so excited the nation when it was consecrated in 1962. A visit

was consecrated in 1962. A visit to the exhibition must be accompanied by a tour of the cathedral itself and a look at the dream city of the 1950s—how has it all survived?

The university exhibition is accompanied by a catalogue compiled and edited by Louise Campbell (published by the University of Warwick in association with A. H. Jolly (Editorial) Ltd. price £7.50) which is very finely illustrated and makes an important contribunakes an important contribution to the reassessment of the art and architecture of the

The competition for the new cathedral was held in 1950-51, a period when architects were much fired by the triumphs of the Festival of Britain. Of the 219 entries some 12 were com-mended by the jury with Basil Spence emerging as a clear winner. Alas, the organisers of the exhibition have been unable to find the material of all 12, but it is fascinating to see the entry of Albert Richardson (architect of Bracken House, the recently sold home of the FT) and the more modern entries of Peter and Alison



Coventry Cathedral provides an architectural heart to the rebuilt city's arid centre.

Smithson and Colin St John

The Smithson's concrete shell and the Wilson glass box show how easily the cathedral could have been a more radical, and probably obsolescent construction. It is clear why Spence won. He was, after all, a romantic Scot. He, alone among the competitors, saw the emotional power of retaining the ruined outline of the old cathedral. (the competition had only asked entrants to keep the tower and crypts). He placed his new cathedral at right angles to the old, thus ensuring a constant reminder of the past and a powerful place for the new cathedral's forecourt.

(liturgically) East wall. Both Castle Drogo and and the un-built Roman Catholic cathedral

Spence's powerful stone build- large interior perspective must commissions for artists? have an almost Scottish and pared to go on fund-raising fortified look. There is more tours; his commitment to the than a hint of Lutyens about artists that were commissioned the battered blank walls of the for the cathedral was total. of Liverpool are sources for coventry cathedral and they remain one of the major lessons. Coventry. Spence, of course, what public building today has so nobly followed the arts and crafts tradition and incorporated works of art in such a way? fine visualiser and draughtsman Spence was. His own sketches or the new extension to the are very convincing, but his National Gallery—where are the

ing was clearly Gothic in inhave been very seductive for Spence brought together a
spiration, much influenced by
the cathedral's Reconstruction stable of artists of a very high
tooth arrangement of windows
and the strong sandstone walls
to to the project: he was predral to be comprehensible to contemporary man—although abstraction lurks around the cathedral—it is the figurative elements that are the most memorable. The architect can A great deal of the exhibi-tion is about the applied arts now be criticised for erecting of Coventry cathedral and they a new cathedral that was not powerful enough as a piece of

architecture.

The thing you always remember from Coventry is the Sutherland tapestry—very much helped by the calm setting given to it by Spence. The trial woven panel of tapestry of the

eagle (one of the best things in the exhibition) in fact belonged to Basil Spence, and his commitment to Sutherland was a crucial factor in the completion of the tapestry.

brave step to commission the young, recently qualified Royal young, recently qualined Royal
College students to design the
stained glass of the nave windows—a risk that only Spence
was able to countenance and
psh through his committees.
The lessons of Coventry
Cathedral are profound, Artists
do have a role working with
architects, not just as an after-

architects, not just as an after-thought, but as a part of the whole conception of any new building. The architect today has taken too much upon him-self in aesthetic terms. Spence absorbed the artists in a way that has made them—from Epstein to Piper—the shining ornaments of his recessive cathedral.

The other lesson is the damaging effect of economy. Spence originally wanted stone throughout the intertior of the cathedral. It would have dignified the architecture in a way that the rough plaster walls do

As one of the first post-modern architects, Spence saw the point of an architect's humility in the face of his client and artists. Coveniry is a genuinely modest building in architectural terms—and that is why it remains today a con-vincing experience. The rebuild-ing of the city has little to com-mend it in the same way. Arrogant planning, inadequate architecture and bureaucratic influences—all inform the dead aridity of the new centre.

To have made the cathedral an oasis in the desert may not have been Sir Basil Spence's intention, but to all the inhabitants of Coventry and all visitors to the city it is a relief beyond imposing that he did beyond imagining that he did.

Gershwin & Ravel/Barbican

David Murray

"The Gershwin Years" was the termined first-aid). The European one: rather too gener-original dance-band scoring was L'Aprés-midi Milhaud's Création pleasure. Maybe An American du ...monde, Ravel's left in teems with ideas, and Tilson bonbons—but fun. Again Thomas clearly revels in the Michael Tilson Thomas conscre as much as the L.S.O. did. ducted the London Symphony. The wind players as well as manning the piano in Rhapsody in Blue and the construction of t as well as manning the piano in Rhapsody in Blue and contributing one of the surplus sweets.

The other bonbon was Debussy's Valse "La plus que lente" (complete with orchestral (cimbalom), apt but unnecessary. The Milhaud Creation sounded pallid in the Barbican, too small and re-

ing one of the surplus sweets, orchestra preferring to aim at his own expansion of a Gershwin fragment that might have become a piece for Lily Pons. begun with L'Apres-midi d'un faune, done with style and unobstrusive finesse, as keen in its way as their exuberance in Gershwin.

Ravel's Concerto was 10t only the most authentically Gershwin-related work in the programme, but it got a per-Barbican, too small and remote either to convey its affecting strain or its cheerful rackettiness. In the Rhapsody faithful to Ravel's tempo-indications, which are regularly the solo part, tolerably faithful to the period style but without the solid impetus Béroff was a steriling soloist: needed to evade the feeling of perpetual stop-go (nobody would call the piece "well made," and it wants some de-

Love on the Plastic/Half Moon

Martin Hoyle

The Half Moon Theatre in with a heavy hand, but he Mile End Road is transformed evokes fine playing from a ante End Road is transformed evokes after playing from a into a Mayfair club by Ellen strong company. Declining into Cairns's designs. The raised alcoholic fatuousness, Nicholas foyer/cloakroom, red and gilt Day and Michael Elwyn are with plushly quilted loo doors, delicately unexaggerated as descends to the dimly-lit tables minor public school punters. descends to the dimly-lit tables minor public school punters, where small businessmen are Glen Walford's Madam the fleeced for the statutory four schemer eventually outwitted, bottles of champagne by hos-tesses who then take their new receptionist who learns to turn squires on to a hotel.

Julia Schofield's play, based on first-hand research, sounds like a Sarah Daniels with affeciting and concern. The language At its centre are Nicky is strong but rings absolutely croydon's murderously despertrue, as do most of the characters. Criticism of the socioters. Criticism of the socioters. Criticism of the socioters. Criticism of the socioters. Criticism of the socioters waitress, whoring to term of the socioters waitress, whoring to second; Gabrielle Cowburn's school; Gabrielle Cowburn's baby-taiking blonde, screaming as long as men earn more than with rage when baulked of a number by an attempted existed. as long as men earn more than women) is balanced by sympathy for individuals, male and female, caught up in the system; and some of these girls actually like men, actually want them. Only when the preaching shows through or when the writing becomes consciously literary does a didactic, documentary note creep in tic, documentary note creep in

A traumatic evening that ends in violence is fascinatingly charted with the same sort of insider's shop-talk that illumininsider's shop-talk that illuminclusion of lovelessness. The ated a whole sub-culture in play's final irony shows middle-wesker's The Kitchen. Chris class Vicky (Julia Watson) Bond's direction may lay on the running a very classy establish-sound effects of memory even ment in Wapping,

obtrusively.

a trick or two and George Costigan's believable cockney bouncer are on the periphery of this particular circle of hell.

punter by an attempted suicide; Nicola Blackman's coarsely cackling black tar, cheerfully obsessed with food; and Eve Bland, the stripper whose hoarse came makes her post-operation transexuality con-vincing, funny and touching, as when she addresses an invisible doctor, ebullient with greedy promiscuity, simultaneously with a lonely and sensitive homosexual (Richard Cottan) longing for a sex-change, only to reach the same bleak con-



Gabrielle Cowburn, Julia Watson and Glen Walford

Aldeburgh Festival

Andrew Clements

The 1980s were always going to be difficult years for the Aldeburgh Festival, Benjamin volved—opera and orchestral Britten's death in 1976 meant programmes, contemporary music and chamber music of the it would take a few seasons to alter the shape of things; there were after all tributes to be paid, and a steady flow of un-published works to maintain a sense of novelty in the programmes. But by 1980 the loss of the original focus began to be noticed, and the festival was seen to be tacking a sense of direction and freshness; though been assembled. If festivals are still the audiences remained ail about music-making which faithful, the concerts they cannot be offered within the supported seem to have been streamlined confines of winter planned by reflex, as if the organisers really believed burgh has undoubtedly regained clocks could be stopped and its knack of fostering just that the Festival left embowelled as

it had been a decade earlier. The year 1983 and 1984 perhaps represented the nadir of Aldeburgh's fortunes; since then it has turned around, and the story now appears to be one of steadily increasing enterprise and ambition. Because it possesses almost every conceivable virtue to make a successful British festival-the finest concert hall in the country, an acute sense of place and tradi-tion—it is good to be able to report that the 1987 festival, which ended yesterday, was in had been by no means exceslarge measure precisely what it sive, yet the orchestral playing should be, emanating an energy was superlative, lucid and and excitement which not even vividly coloured. and excitement which not even this summer's weather could

Festival planning is now securely in the hands of three

The 1980s were always going all the areas that concerts at is put together with all the is not the usual diet for part-be difficult years for the Aldeburgh traditionally in-composer's familiar skill and time pianists. Solti turned Aldeburgh traditionally in-composer's familiar skill and volved—opera and orchestral rigour, to make a compressed programmes, contemporary essay in line and layer. highest quality.

There have been innovations—a series of late-night Indian classical recitals this year; a competition for young com-posers and an annual composer in residence (Lukas Foss this year); and the closing days showed how well the mix had concert seasons, then Alde-

It is unthinkable for instance that the programme which Knussen conducted with the Philharmonia Orchestra in the Snape Maltings on Thursday evening would ever have appeared under the same orchestra's auspices on London's South Bank: Brittan's Building of the House Overture, Berg's Altenberg Songs, Knussen's own Third Symphony, new works by Carter and Henze,

The Carter European premiere was the latest in the line of tiny occasional pieces which he securely in the hands of three executive artistic directors—
Steuart Bedford, Oliver Knussen and Murray Perahia — who between them manage to cover lasts barely three minutes, yet

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FINANCIAL TIMES

— Europe's Business Newspaper —

Henze's 1985 Fantango is the latest in his line of recompositions of baroque models, in this case a Soler piece for harpsichord. Only the bass line of the original is allowed to remain, and over it Henze has constructed a wildly fantastic sequence of inventions around and about the Fandango rhythm, music which some-times seems riotously over-scored, yet manages to convey lence which is hard to forget. The most cherished aspect of

Aldeburgh in Britten's era was the steady stream of celebrated instrumentalists and singers who made the journey to Suffolk to play with the composer in chamber music and solo recitals. Murray Perahia's two-piano recital with George Solti on Saturday afternoon harked back to those times: the kind of occasion which can only flourish under the most careful festival conditions. It was by no means perfect duo –some passages, in Haydn Variations especially, would have bene-fited from more rehearsal than

pages for the composer at the premier in Budapest in 1938, and studied the work with him, and there was no doubt who was in charge of this perform-ance (with the excellent percussionists Evelyn Glennie and David Corkhill). When his own contribution allowed, Solti even conducted his colleagues, touching in the percussion with meticulous accuracy, to ensure that not a nuance was missed.

Later the same day the festiva entourage decamped to Bury St Edmands for one of its rare excursions to the cathedral there. Some works are simply too large for the Maltings, and Beethoven's Ninth Symphony is one of them. Simon Rattle conducted the Ninth with the City of Birmingham Symphony Orchestra and chorus for the first time last year, an account eulogised by those who heard it and its repetition here, the first time any Beethoven sym-phony had appeared in an Aldeburgh programme, was most eagerly sought.

A cathedral acoustic is by no means the best in which to assess the full stature of Rattle's interpretation. Yet it clearly fited from more rehearsal than contains many marvellous two such busy performers things: an electrifying account doubtless could spare—but the feeling of relaxed spontaneity with energy from the opening feeling of relaxed spontaneity with energy from the opening bars and shaped towards a highly-strung interpreter as Solti, whose piano playing is in many ways a mirror image of his conducting, severe, tense and always pressing forward.

Bartok's Sonata for two piano the opening bars and shaped towards a gigantic climax at the beginning to perfection; two giant sceens to perfection; two giant sceens enable the thousands at the back to view the performance, back to view the performance, the four gantries which press theatrical scale, tingling with pianos and percussion, however, excitement.

Peter Gabriel/Earls Court

Antony Thorncroft

First the good news. Earls brooding menace, and the Court has reasserted itself as a lights sparkle a neon accomtop class pop venue. It was fully tested over the weekend by a visit from Peter Gabriel, the great conundrum: is he a genius or is he a sham?

After years of not worrying I've progressed to not caring. Fig. progressed to not caring. His performance on Saturday N'dour coming out for an enjustify his cult status and he delivers in spades. A song like "Lay your hands on me" says it all: ponderous and cliched, it suddenly assumes mythic proportions as Gabriel turns his back on the audience and just falls into its collective parms, to be carried around the stalls like Hamlet in Act Five Of course, he eventually reaches the safety of the stage minus jacket, snoe, etc, but it is such a touching act of faith that much of his austere image

Something of the mime still clings to his tortured expressions, surely an indulgence now in a millionaire as is the statutory song supporting the unemployed, "Don't give up." But even his affections are acquiring an old-fashioned charm as when David Rhodes. the guitarist, leads Gabriel on a skip around the back of the stage, and when the band, dressed in long coats like Rabbis, lines up for some Shadows-like dance synco-

paniment to songs which swing from dancing pop numbers, like "Salisbury Hill," to the heavy handed "Sledgehammer."

At the end of a long act his social conscience exhibits it-self with West African Youssou

Pyramids opera planned again

The Egyptian Government is planning a \$5m (£3.7m) production of Verdi's Aida in front of the Pyramids — only months after the production at the Temple of Luxor organised by businessman Fawzi Mitwali which was said to have lost nearly \$1m. nearly \$1m.

Placido Domingo has been invited to sing the part of Radames again, and other singers approached are Katia Ricciarelli, Grace Bumbry and Renato Bruson.

The open-air theatre by the Pyramids is said to provide good sound for son et lumiere parformances for up to 5,500 people, in spite of the problems the four gantries which press down on Gabriel as he writhes experienced during the previous around the stage provide a production.

Music/Monday, Opera and Ballet/Tuesday, Thestre/ Wednesday, Exhibitions/Thursday, A selective guide to

Saleroom/Antony Thorncroft

London's big week

Sotheby's and Christie's as top quality Impressionist and modern paintings, and Old Master prints, come under the

The excitement begins this morning when the British Rail Pension Fund offers 98 Old Master prints, one of the best collections to appear for years.
The highlight will be an etching by Rembrandt, known as "The Three Crosses," which should fetch £300,000.

Then tonight, at Christie's, one of Van Gogh's most inspired Tuesday: planist Vlado Perlemuter, a homage to Ravel 'Sonatine', Miroirs', 'Gaspard de la Nuif at Patio de Los Arrayanes. Wednesday, Thursday: Orquesta Sinfonica de RIVE conducted by Miguel Angel Whethers Martines Common M Gonez Martinez commemorating
George Gershwin and Maurice Ravel's anniversaries on first performances and Del Campo, Falla and
Alonso the following day. Both at
Delocid de Carlos V

he completed at least five large
paintings, and it has long been
judged one of his master works.
It was sent for sale by the
Kramarsky family, which has
owned it for more than 50 years. rating he completed at least five large owned it for more than 50 years. A price in excess of £8m is anticipated, making it the second most expensive work of

This is the Big One, the week in which London justifies its paid £80 for it, for more than status as the auction capital of the world. Tens of millions of pounds will change hands at Impressionist and modern sale

Impressionist and modern sale tomorrow night. The first great landscape by the Austrian artist, Gustav Klimt, to appear at auction should make the top price, in the region of £2.5m. Other paintings likely to exceed £1m, are a "Fauve" view of the Thames embank-ment at Blackfriars Bridge by Derain; a Matisse; and an early Cubist work by Leger, A "Still Life (Oval Theme)" by Ben Nicholson, which belonged to the late Lord Clark,

William Packer writes: Tonight at 10, a major charity auction is to take place at Sotheby's under the patronage of ERH The Duchess of York and the newly expert hammer of Lord Gowrie, of works of modern art given in aid of the Hospice Movement. Funds raised will go not to any single institution but to the further specialised training of doctors

Leading British artists such as Frank Auerbach, Anthony Caro, Leon Kossoff, John Hoy-land and David Hockney have given works to the sale, and leading dealers, including Anthony d'Offay, Thomas Gibson, Lefevre, Waddington, Festival: the orchestra of Santa Ce clin conducted by Kent Nagano playing Berlioz, Hurel and Mader na, with soloist Janet Baker, (Wed) (67 611).

Trinita dei Mont I, (Villa Mental among the 78 lots are a fine "Sicher and Kasmin have been on less generous. Space is by Henri Fantin-Latour, which is therefore by invitation only, (67 611). Fischer and Kasmin have been

Have your F.T. hand delivered . . .

June 26-July 2

Music

Miles Davis, Royal Festival Hali (Mon) (928 3191). Chelsen Opera Group, conductor Nitenony (120 311). helses Opera Group, conductor Ni-cholas Braithweite with Richard van Allan as Boris in a concert per-formance of Boris Godunov, in En-glish. Barbican Hall (Mon). fere ason'

Arts Guide

(838 8891). unden Choir with the Loudon Bach Orchestra: Julian Williamson con-ductor with Gillian Asher soprano and John Nobel bass: Franck, Koda-ly, Janacek, Faure, Barbican Hall

coek Trio: Royal Festival Hall (Wed). TOKYO

Mariko Noda, piano: Debussy, Ravel, Chopin. Tokyo Bunka Kaikan Reci-tal Hall (Mon). (828 2111). Harko Slemens. Organ Kassadi-Hayko Siemens, organ, Konradin Groth, Trumpet: Bach, Handel, Schumann, Stanley, Pescotti, Mol-ter, Suntary Hall (Mon) (505 1910). Cambridge Buskers: Vivaldi, Mazart, eft. Yurakucho Asahi Hall, Mullion Building, pear Ginza (Tue) (545 8348).

Tokyo Symphony Orchestra and To-kyo Academy Chorus, conducted by Kaznyoshi Akiyama: Mozart's Grand Mass in C minor, Japan's premiere of Andrew Lloyd Webber's Requiem with Sarah Brightman, Ei-rie Chin, Yuko Nishikawa, Masayu-ki Kurata, Shogo Miyabara, Makato Hayashi, The Little Singers of To-kyo. Tokyo Bunka Kaikan (Tue) (363 0101: 273 5481).

Heldi Litschauer, cello, Royko Wata-nabe, piano: Beethoven, Schubert, Schumann, Brahms, Tokyo Bunka Kalkan (Wed) (403 5871). MHK Symphony Orchestra, conducted by Jiri Belohlavek: soloists Tamara Simusukam

Sinyavskaya and Shinobu Sato: Mahler's Symphony No 2 and "Res-urrection". NHK Hall (Wed, Thur)

(573 3588: 237 9990). The Nash Ensemble of London: Mo-zart, Schubert, Britten, Tokyo Bun-

anglewood: Elly Ameling suprano recital with Budolf Jansen pieno. All-Schubert grapramers (Fig. 1) All-Schubert programme (Thur). Le-nox, Mass (413 637 1686).

WASHINGTON

CHICAGO Ravinia Festival: Schumann Song Cy-cles with Philip Creech tenot, Chris-topher Trakas baritone and Her-mann Prey baritone with James Le-vine, piano (Tue); Nadja Salerno-Sonnenberg violinist and James Le-vine planist perform all-Mozart pro-gramme with chapter group NETHERLANDS

msterdam, Nieuwe Kerk: Ross Messa Solonelle from the orche choir of the Teatro Communals of Bologna conducted by Ricardo Chailly and Fulvio Angios, soloists

Granada, 38th Festival: Monday: Or-questa Nacional de España conduct-ed by Jesus Lopez Cobos: Falla, Ger-hard, Usandizaga, Prieto and Franck in a special Spanish pro-gramme at Palatio de Carlos V. Tuesday: planist Vlado Perlemuter,

Milant Teatro alla Scala: Verdi's Requiem with Margaret Price, Dolora Zaijc, Luciano Pavarotti and Samuel Ramey (Fri, Mon). (80 91 28).

Rome: French Academy, Piazza della Trinita dei Monti 1, (Villa Medici Frentivalit the orchestra of Santa Ce

usaka Philharamnic Orchestra con-ducted by Takashi Asahina with Masuko Ushida, violin, 40th anni-versary concert: Mozart, Bruckner, Tokyo Bunka Kaikan (Thur) (573 3588: 237 9990).

all the Arts appears each Friday.

Kaikan Recital Hall (Thur) (081 **259**0). NEW YORK

Mostly Mozart Festival (Concert Hall): Festival Orchestra conducted by Gerard Schwarz. All-Mozart programme (Wed); mixed programme (Thur). Kennedy Center (254 3776). Wolf Trap: Chuck Mangione Jazz concert (Thur). (703 255 1868).

gramme with chamber group (Thur). Highland Park (728 4842).

FINANCIAL TIMES

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Monday June 29 1987

The test for Syria

when syrian troops moved into West Beirut four months ago they did so to muted applause from Western governments and Western public opinion. For a whole host of reasons, culminating in and symbolised by the Hindawi affair, Syria is not the West's favourite Arab state; and most people would not regard it as blameless in the long and tragic sequence of events that have brought Lebanon to its present sorry condition. Yet at the same time Syria was widely recognised as being better qualified than any other power, internal or external, to restore order at least in Lebanon's Moslem regions.

Here days latter the Syrian chief of military intelligence, Brigadier General Ghazi would endanger their use of force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the release on March 18 of a Saudi embassy employee who had been held for 66 days. He was produced triumphantly at a joint press conference by General Kanaan ruled out the use of force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the release on factor of a Saudi embassy employee who had been held for 66 days. He was produced triumphantly at a joint press conference by General Kanaan ruled out the use of force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the release on force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the release on force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the r

regions.

Restoration of order was, by the beginning of this year, clearly the overriding priority for anyone with a shred of genuine concern for Lebanon's incredibly long-suffering civilian population, or the even longer-suffering inhabitants of the Palestinian refugee camps, or for the plight of the handful of foreigners held hostage, or for the possibility of maintaining any normal contact between Lebanon and the outside world Lebanon and the outside world the prevention of which seemed at times the primary objective of the hostage-takers. Syria's President Hafez al-Assad can be a ruthless man but he is also a very cautious

one. He has always preferred to pursue his ends in Lebanon through the manipulation of Lebanese parties, rather than by the direct deployment of his own forces, Only the defeat of his closest ally, the Shiite militia Amal, in the February round of fighting in West Beirut, convinced him that this time he would have to sten in time he would have to step in directly.

Plausible argument

Having made that direct investment of prestige and authority, he knew that he could not afford to fail. The Beirut population and outside observers alike were favourably surprised by the swiftness with which the gunmen were driven off the streets and a semblance of normality restored to the city centre. The killing of at least 20 militiamen of the pro-God) in a clash on February 24 ship between Syria and the suggested that Syria meant business and was even prepared to risk her strategic alliance we can only hope that it with Iran for the sake of an proves to be wrong.

opportunity to ask every embassy, every journalist, every Christian who left, to come back to west Beirut."

Siege lifted

In April Syria went on to lift the siege of the Palestinian camps, and extended her power southwards by sending troops to police the coastal highway to Sidon. Things seemed to be getting better, and a few foreigners did begin to return. One was Mr Charles Glass, one of the best and most experienced of Western reporters on Lebanon, who came to the con-clusion that under the double protection of Syria and of his many influential Lebanese friends he could safely return to the country Alas on June 17 to the country. Alas, on June 17, Mr Glass was kidnapped by four carloads of armed men—presumed to be pro-Iranian extremists linked to Hizbollah -on that very coastal highway between Sidon and Beirut.
The release last Wednesday

of Mr Ali Osseiran, the Shiite notable with whom Mr Glass was traveling, shows that the kidnappers are not beyond the reach of Syrian pressure. It has been suggested that it also shows the limits of Syrian power, or of Syrian willingness to alienate Iran, and that this stops short of obtaining the release of Mr Glass or any other of the foreigners held captive. If that proves to be right, those in the West and in Lebanon who pinned their hopes on Syria will be bitterly disappointed, and the chances of

Reschedulers run out of road

DR HENRY KAUFMAN'S in some of their own heavily forbidding speech on the discounted debt in the market international debt problem last What is required is something week will no doubt annoy the which would make a market commercial banks. It is very solution far more widely availeasy, they may say, for an able.
investment banker who has Market solutions require inno money at risk to suggest centives, and these are lacking. that other people should be The banks have no commercial planning interest rate con-cessions and debt forgiveness. However, it needed an out-thousever, it needed an out-and have been able to engage

sider to point out that it is in endless recycling at little not only the creckitors who are at risk in the debt crisis; it is a brake on the growth of the potential pressure points. whole world economy. That is one reason why the approaches have aroused Mr Volcker's

Market solution

This link is perfectly clear in relation to the US, whose exports have been particularly hard hit by the problems of Latin American debtors. This is not just a bilateral matter, however; any major US prob-lem is a world problem.

This perception is now fairly widely shared, as is becoming clear from speech after speech at the summer conferences which financiers use to prepare for the September round of international meetings, Everybody wants a solution through growth but there is a sad shortage of practicable ideas for achieving it.

achieving it.

Dr Kaufman's proposals are a statement of ends, not means. Somebody has to pay for debt forgiveness; and although the payment might well be regarded as a highly productive investment in growth it would investment in growth, it would not look like that to the insti-tution paying the bill.

The elements of a more effective approach may be found in two other speeches. Mr Paul Volker's reminder that the US banks which have made increased provision for sovereign loan defaults have not actually provided any new capital; and the complaint from Mr Angel Gurria of Mexico that the writing down of debt has not re-duced the burden on debtors by

a single cent.

The costless provisions which used until now will not work. Scorn are at least an advance Rescheduling was designed to on the long period in which buy time for a world trade bank balance-sheets were recovery; but the debt problem allowed to contain chapters of inhibits it. pure fiction; but even now most provisioning is unrealistically low and few banks have enough primary capital to cover adequate provision—at any rate under the London rules which Mr Volcker evidently admires.

Tolerable discount

It is time, surely, for the cen-tral banks to become more insistent. Rescheduling has now bought five years to rebuild capital out of earnings, the capital markets are awash with liquimarkets are awash with inqui-dity, and the excuses for delay have run out. If the prudential rules recognised that loans on concessional terms are likely to be serviced devotedly, and thus require little capital backing, an incentive for concessions would

be in place.
It would not be right, however, for the whole burden of adjustment to fall on the lenders. The follies of the 1970s were enthusiastically cheered on by governments and central banks, and some call on tax-payers would represent justice and an enlightened investment The idea of a facility to buy banks' claims at a tolerable discount, and turn them into concessional official loans, is already doing the summer

Other formulae combining discipline and some subsidy could readily be devised, but the principle should stand. Debt reconstruction is urgently needed, and the market Mr Gurria's complaint is not approach should produce more strictly accurate, since a few answers and fewer quarrels debtors have been able to buy than any other.

HERE IS a ghastly familiarity about the agenda for the European Community summit in Brussels today. The heads of state and government must be coming with their hearts in their boots.

First there is the budget. It is "on the brink of hank-ruptcy," says the European Commission. Others would reckon that it has been effectively hank-rupt for at least four tively bankrupt for at least four years. Then there is the common agricultural policy, still producing chronic sur-pluses, still hopelessly over-

pluses, still hopelessly overspent, and yet the agriculture
ministers are deadlocked in
sterile negotiations on the
latest modest reform package.
A Banquo's ghost is in attendance at the banquet too. The
British budget contribution,
supposedly resolved by a deal
at the Fontainebleau summit in
1984, is an unspoken threat of
fearful discord, for the deal fearful discord, for the deal must, at some time, be renewed. Finally, there is a touch of very old spice (first proposed more than a decade ago), dressed up to look like new, which is called an oils and fats tax. Supposedly a way of providing new cash for the budget from a sector threatening the next huge surplus, it has split the Community and caused the US to threaten a trade war.

All this is set to dominate the summit agenda, just when the Community's leaders would far rather discuss East-West rela-tions, their fears for the growing drift of government in Washington, and the downturn in the world economy.

Yet the next two days should

be far more than just another hagging session over feeble farm reforms, designed to save a few Ecus from the budget to spend on token programmes in the outlying regions. Behind the cold figures of imminent finan-cial crisis, the heads of government are being asked to set the agenda, and provide a stable and squabble-free form of finance, for the Community of the next decade.

of the next decade.

It is also a crucial test for the European Commission headed by Mr Jacques Delors, two-and-a-half years through its four-year mandate and at a point which will decide its reputation. It is Mr Delors's package proposing sweeping re-forms to the Community's en-tire financial system which is on the table.

He is certainly looking for more cash to avoid the perennial budget crises which have dogged the EC for the past decade and more. But his plan the property of the past decade and more. seeks to go much further. Its key elements include:

Reform of the CAP to cut its costs from 70 per cent to 50 per cent of the budget.

 Centralised budget discipline and management, granting the Commission powers to impose spending cuts to maintain a balanced budget.

• Fairer burden-sharing of budget contributions by tying them to gross national product, rather than the present valueadded tax-based system.

 Boosting the role of social and regional spending to share out the benefits of EC membership more widely in the new southern member states as well as in the north.

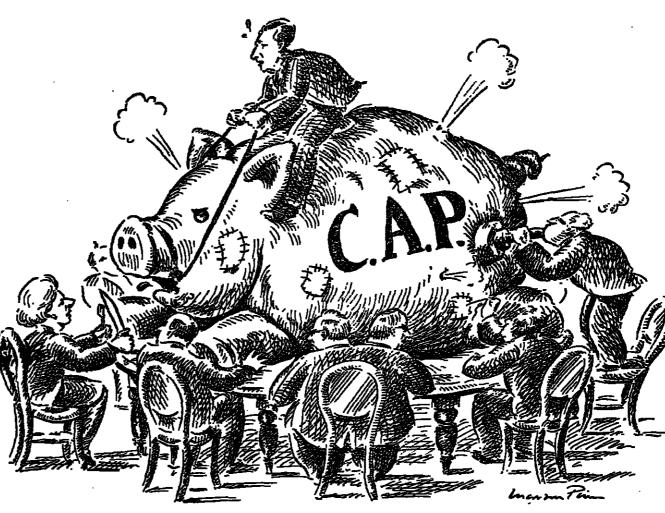
as in the norm.

There is no doubt that the immediate budget crisis is building up rapidly, with a yawning hole threatened by next year which can only be filled by ferocious programme cutting, or massive cash injec-tions. If nothing is done to cut tons. If nothing is done to cut vide real political impetus.

leaders are neither ready nor back the cost of the CAP and approve other reforms, then the budget will be almost Ecu 10bn leaders to take up is to raise on how to reform agriculture, back the cost of the CAP and approve other reforms, then the

New York, June 28

The future of the European Community



A familiar beast at the summit banquet

By Quentin Peel in Brussels

(£7bn) more than available income, according to Commission

figures.
What is happening in agriculture is worse. The deadlock between diehard West Germany, refusing to countenance any move towards market prices, and most of the rest. is threatening to unravel the entire CAP.

If a farm price package, and a supplementary budget, can-not be agreed by the end of the year, then a hefty slice of farm year, then a helty slice of farm spending will simply be repatriated to the member states: the Commission will be unable to pay for the last few months of the year, so the individual governments will be forced to provide the cash themselves. Whatever semblance actually exists of a common market in exists of a common market in food products could vanish under such pressures.

the latest Brussels summit. Nobody expects agreement to be reached, but if anything is to reached, but if anything is to be accomplished in the next 12 months, the meeting must pro-

their eyes from anxieties, and to take a much longer view.

He sees his reform package as the third big step of his Com-mission. The first was to set 1992 as the target for completion of a genuine single Euro-pean market, without frontiers and barriers to trade.

The second was the negotiation of the Single European Act, the reform package designed to streamline decisionmaking, and to add new policy goals to the founding Treaty of Rome: research co-operation, environmental policies, and more emphasis on social and more emphasis on social and regional spending. It also gives a legal base to political cooperation between member states — and comes into effect,

Wednesday. Now Mr Delors is asking for That is the threat underlying the financial security to put those policies into effect, and to ensure that the beast of agricul-

thanks to the West German There is no real obstacle. agreement on policy priorities elsewhere. Mr Delors has called for a doubling in social and regional spending. The richer northern states who will

have to pay are virtually unanimous that it must be less. Even an EC research policy, on which 11 member states are agreed, remains blocked by the refusal of the UK to sanction the Ecu 5.7bn framework programme on the table. There are some hopes that on that, at least, Mrs Thatcher may prove more accommodating since her election victory.

six months late, on But the prospect of switching to of effective argricultural re-nesday.

a GNP formula, which might form, and future expenditure ow Mr Delors is asking for make the rich pay more and the control; and that the British poor pay less, raises the spectre of negotiations almost too com-

spending, as agreed at Fontaine-bleau.

The system is profoundly re-sented by all the other member states and is blamed by many for the extremity of the present budget crisis, but it has proved very effective for Britain. As farm spending has continued to rise, thanks to the soaring cost of storage, and the decline of the dollar requiring ever-larger export subsidies, the British "rebate" has grown in line. And any change requires unanimity among the 12, giving Mrs Thatcher an effective veto on any system which is less bene-ficial.

The British Prime Minister Is adamant on two issues: that no increase in the "own resources" budget system must be as good, if not better, than the Fontaine-bleau mechanism.

Mr Andreas Papandreou, the Greek Prime Minister and enfant terrible of EC summits. has produced a new demand for has produced a new demand for more cash, on top of the Ecu 1,5bn he already receives in net transfers from Brussels.

"If only he had left it to someone more respectable, like Felipe Gonzalez (the Spanish Prime Minister)," said one leading southern diplomat. There is no doubt however. There is no doubt, however, that Mr Papandreou represents a phalanx of southern states increasingly determined to gain a larger share of the budget, in exchange for their willingness to accept the removal of all internal trade barriers.

internal trade barriers.

Meanwhile the rest, including President Mitterrand and Mr Jacques Chirac, more concerned with their politics of "co-habitation" in France, stand rather helplessly by.

Some say the problem, is above all, a lack of leadership: "This is a summit of pygmies, in which no one will take the lead." according to one EC diplomat. "Mrs Thatcher is the only one who could do so, but she does not seem interested in the challenge."

Mr Delors believes the problem lies in the absence of the traditional Franco-German alliance in Community affairs and Bonn last week to try to mediate. "The trouble is they no longer understand each other," he says.

More than that, France's interest in finding outlets for its competitive farmers conflict with West Germany's desire to protect its own uncompetitive ones. They are on opposite sides in the farm reform debate.

It is West German incoher-

sides in the farm reform debate.

It is West German incoherence rather than the intransigence of a Thatcher or a Papandreou which is now most widely blamed in Brussels for slow progress. Mr Gerhard Stoltenberg, Minister of Finance in Bonn, made it clear to his fellow finance ministers two weeks ago that he could not contemplate any drastic farm reform before the provincial elections in his home state of Schleswig-Holstein in September, where the farmers' vote is crucial.

The danger for the summit is that all the short-term probis that all the short-term prob-lems will sour the atmosphere and preclude the strategic thinking Mr Delors is looking for. The failure to fix farm prices, the size of the im-mediate budget deficit, com-pounded by a threat to cut spending from next month, and the fear of instant US fury if an oils and fats tax is approved. an oils and fats tax is approved.
may all conspire to keep attention off long-term reform.

Both the Commission, and the both the Commission, and the tolling national ambassadors in Brussels, know that they must persuade the summit to produce clear guidelines if they are to make real progress this year. The ideal is to aim for agreement on a total financial. agreement on a total financial package by the Copenhagen summit in December. But Chancellor Kohl may block any lint of cutting farm

prices in CAP reform. Mrs Thatcher may insist on tying of the Community can be con-templated without guarantees any promise of future cash to of effective argricultural re-conditions of budget discipline too strict for the south to control; and that the British stomach. The southerners, in turn, may demand commitments bleau mechanism.

Such a switch would also require the renegotiation of the British budget rebate: the system of refunding two thirds of the difference between the UK share in VAT-based contributions and the UK share in EC

bleau mechanism.

Chancellor Helmut Kohl of the north to contemplate.

It all adds up to a scenario for deadlock which will challenge even the formidable megotiating skills of Mr Wilfried Martens, the Belgian Prime Minister, who will be in the chair.

Men and Matters

Sleeping partners

When David Herrlinger, the Cincinatti investment manager, Cincinatti investment manager, who is now resting in the psychiatric ward of the Good Samaritan Hospital, announced last Tuesday that he was bidding \$7bn for Dayton Hudson, he named his partners as the Stones and Eustises—two of the city's most "prominent", "wealthy" and "well-heeled" families according to the news families, according to the news reports following the bid

announcement.

With that kind of backing it is hardly surprising that Wall Street was taken in by the unknown Herrlinger's eccentric bid. After all, families like the Pritzkers of Chicago and the Pritzkers of Chicago and the Pritzkers of Toronto pubble. Reichmans of Concago and the Reichmans of Toronto gobble up billion dollar enterprises before their Sunday brunches. So why not the Eustises and the Stones?

One reason seems to have eluded Wall Street entirely. The Stones and Eustises are actually not particularly wealthy, prominent or well-heeled. In fact they are little better known,



"No, not the brain drainsaid I'm part of the rain

in Cincinatti, Herrlinger Cincinatti attempts to follow up the story, is still uncertain about who precisely these people are.

The name Eustis, according to Mark Braykovich, the Inquirer reporter covering the story, was "fairly familiar bebecause of an investment firm called G. Eustis and Co." This story is the story of the st small firm closed down some years ago. As for the Stones, "we're still not sure who they're supposed to be," said Braykovich on Friday.

Braykovich on Friday.

A search through the paper's cuttings library came up with a James Stone who once ran a small oil company, but it is not clear whether this was the Stone family Herrlinger meant. The phantom bidder was unhelpful, even before his hospital commitment. When Braykovich asked him about the Stones behind his bid, Herrlinger replied disarmingly: "Actually, all of them are dead now."

Warner's feud

Last Wednesday's annual general meeting of Warner Communications, the entertainment group, was a sellout. Over 1,500 people crammed into the Imperial Ballroom of New York's Sheraton Centre for a ringside seat at what has been described as "one of the most famous feuds in corporate history.

For weeks Wall Street has been rife with rumours of a showdown between Steven Ross. Warner's free-wheeling chief executive, and Herb Siegel, the group's biggest shareholder. Siegel, a cost-conscious busi-

than | fight off an unwelcome takehimself. The over bid from Rupert Murdoch Inquirer, in its at a time when Warner was just recovering from losing \$1bn on an ill-fated venture into video games.

> But the honeymoon between the two men did not last for long. Siegel is unhappy about Ross's big spending and has been rude about Ross's new employment contract which would be worth \$140m-plus over the next decade. Meanwhile, Ross, who started in the funeral parlour business before branching out into the entertainment world, says Spiegel's penny-pinching is not conducive to running a company like Warner which lavishes money on superstars.

But the fireworks never went off. Siegel was surprisingly quiet, even though one of his nominees for the Warner board was defeated. One of the few lively moments came when a white-suited Steven Spielberg told shareholders that as long told shareholders that as fong as Ross "remains the skipper of this battle wagon, I will make films here." Clint Eastwood, who is pretty busy these days as mayor of a small California town, sent his apologies for missing the meeting, but Spielberg read out a letter assuring shareholders that Ross could count on Clint's support could count on Clint's support if it came to a fight.

Warner shareholders was that as they left the meeting they picked up their traditional gifts, which this year included a video of The Music Man, three record cassettes, a copy of Sin Alex Cuippers's morning of Sir Alec Guinness's memoirs, a sweatshirt, and a nifty bag which was probably worth about \$50 or nearly 50 per cent more than the cost of a Warner nessman, came on the scene three years ago after his Chris-Craft Industries helped Ross to of the meeting, not the feud.

The only consolation for

Haunting refrain

A phantom haunts Broadway.
Andrew Lloyd Webber's latest
musical, The Phantom of the
Opera, is due to open in New
York on November 12, but not a single ticket has been sold. None will be unless the prothe American actors' union over who is to sing the leading female role, the chorus girl, Christine.

Lloyd Webber says he wrote the part for his wife, Sarah Brightman, and she must sing Christine. American Actors' Equity says that under a 1982 agreement with its British counterpart, an American actress should sing the part on Broadway or the UK producers must guarantee such a star role for an American actress in London. "We have real employment problems here as well," the American union says.

The UK producers have promised the exchange, but that's not the point. The union agreement specifically excludes "stars of international standing." Michael Crawfo. for example, has grudgingly been allowed to sing the Phantom's role on Broadway. Lloyd Webber is insisting that Ms Brightman be given the same recognition and threatens to bypass Broadway for Hollywood, where Steven Spielberg has offered to turn Ms Brightman into a star of intergalactic

"My personal feeling is that Andrew will not back down," says one person at the produc-tion company. Actors Equity mutters, rather implausibly, about the "tremendous finan-cial loss" Lloyd Webber faces if the show does not open.

But the union's council is meeting again tomorrow to consider Ms Brightman. The Shubert Organisation, which is spending hundreds of thousands of dollars to prepare the old Majestic Theatre for the show's fabulous dramatic effects, is putting pressure on

Observer

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IF THERE was ever any doubt that the British had arrived in force on Madison Avenue, capi-tal of the world's advertising industry, Mr Martin Sorrell's successful battle for control of Walter Thompson (JWT), world's most venerable advertising agency, should lay it to rest.

The 123-year-old JWT, which for almost 50 years was the world's biggest advertising agency, is far and away the larest acquisition in advertising history. With the WPP Group agreeing to pay \$566m (£352m) for JWT, the deal has turned for JWT, the deal has turned upside-down the pecking order of the \$170bn a year advertising industry. Three of the top five US agencies will soon be in British hands, bighlighting the dramatic rise to power of ambitious young UK companies in what most people still see as a quintessentially American industry.

With more than 10 000 cteff

With more than 10,000 staff and more than 250 offices in 40 countries, JWT — which includes a public relations and market research business -- has often been described as "one of the most valuable marketing service franchises in the world." Unilever has been a client since 1902; others on the list include IBM and Ford.

It has created some of the most memorable advertising campaigns in American history. Despite recent financial troubles and management upheavals, it was this month voted the best agency in an Advertising Age

poll of advertisers. Recurrent financial and management crises at JWT, com-bined with the threatened defection of Burger King, a key client, had badly damaged IWT's credibility on Wall Street and made it vulnerable to a hostile takeover bid. Nevertheless, the speed at which it has been gobbled up by a com-pany one twentieth its size has stunned Madison Avenue.

The privately-owned Young & Rubicam remains number one in terms of 1986 worldwide gross income. But the next three advertising agencies— Saatchi & Saatchi, Ted Bates and JWT—are, or soon will be, Britishowned. In addition, Ogilvy and Mather, the fifth largest agency, was founded by British-born Mr David Ogilvy.

"If this thing goes well, Martin Sorrell will have established a really long term mark in US advertising," says Mr Eugene Beard, chief financial officer of another leading US agency, Interpublic, which employs more than 12,000 people in more than 50 countries. Unlike some in the US advertising industry, who have been critical of the highly leveraged nature of the JWT bid and the high price being paid, Mr Beard says Mr Sorrell

WPP and J. Walter Thompson

British bulldogs on Madison Avenue

By William Hall in New York

sees the JWT takeover as a test the most international of the case which will determine US agencies. More than half whether the British will be able its staff and two thirds of its to consolidate their beachbead offices are located outside the the US advertising industry or be forced to withdraw with heavy losses.

The invasion started in 1982 with Saatchi and Saatchi's \$60m acquisition of Compton, a com-pany roughly three times as big as itself. Mr Sorrell, as Saatchi's finance director, helped en-gineer that early US acquisiacquisition of Compton, a company roughly three times as big us sitself. Mr Sorrell, as Saatch's finance director, helped engineer that early US acquisition spree — before branching out on his own. He notes that the new IIK opening the new IIK op the new UK owners were able to double Compton's margins in less than three years.

research, public relations and sales promotion companies. Then, last year, they launched another US takeover blitz, acquiring in quick succession marketing services industry.

Dancer Fitzgerald Sample, "The domestic US market Dancer Fitzgerald Sample, Backer and Spielvogel, and Ted

Today, Saatchi's market capitalisation of around \$1.6bn is almost as big as that of the three leading publicly quoted US firms - Interpublic Omnicon and the Ogilvy group—com-

Although Saatchi's dramatic and sometimes troubled US expansion has captured the headlines, there has been a steady stream of UK imitators (see table), WCRS, Boase Massini Polit and Lowe Howard Snink Polit and Lowe, Howard Spink and Bell, have been among the

However, he cautions that business for decades. It opened "doing a deal is one thing, its first foreign office in Lon-managing it is another." He don in 1899 and has long been

US.
WPP's takeover of JWT thus wPP's takeover of JWT thus underlines the dramatic shift in the balance of power in the world's advertising industry. For decades Britain seemed to many times bigger and better known than his own WPP, which is capitalised at a rela-tively lowly \$200m. He disputes The Saatchi brothers continued to expand their US empire by adding on market a swing of creative advertising and a swing of creative advertising a swing of creative advertising and a swing of creative advertising a swing of creative advertising and a swing of creative advertising a swing and creative advertising a swing a power away from New York and towards London. He has an easy explanation for the surge in UK interest in the US

accounts for about 50 per cent of worldwide advertising, and probably accounts for an even larger proportion of total world advertising expenditures be-cause of the influence of US multinationals controlled out of cities like New York, Chicago, Detroit and San Francisco," he

says.
"If you want to be a serious have player in the business you have to have a major position in America. The market is 10 to 12 times bigger than the UK." Since he took control in 1985, WPP has undergone a rapid transformation from an ob-



Martin Sorreil The British Invasion

	THE BITTER	invasion	
UK group			Date
Boase Massimi Pollitt	Ammirati & Puris, New York	Advertising	May 1987
WCRS Group	Della Femina Travisano & Partners	Advertising	August 1986
	HBM Creamer	Advertising	June 1986
	Masiov, Gold & Rothschild	Design and marketing	December 1986
	Robert A. Becker Inc.	Medical ad agency	May 1987
WPP Group	Pace Communications	Real estate communications	October 1986
	Harvard Capital Group	Financial communications	December 1986
	Skijakov, Berman, Gomez & Partners, San Francisco	Packaging and design	March 1987
	Walker Group ICNT NYC and Los Angeles	Retail design	March 1987
Saatchi & Saatchi Co.	Dancer Fitzgerald Sample	Advertising	February 1986
	Becker & Spielvogel	Advertising	April 1986
	Ted Bates Worldwide	Advertising	May 1986
Lowe Howard	30% of Lowe	Advertising	November 1985
Spink & Bell	Marschalk	-	
Shandwick	Henry J. Kaufman & Associates	Public relations	December 1986
	Rand Public Relations Inc.	Public relations	December 1986
	Rogers & Cowan Inc.		April 1987 Source: Advertising Age

February 1988-WPP has built have made US acquisitions look it up its interests in graphics and design, sales promotion and other marketing services. The takeover of JWT, which specialises in "above-the-line" media advertising, achieves Mr Sorrell's objective of creating one of the world's biggest multi-national marketing service companies.

cheap to British eyes. Differing accounting rules in areas such as the treatment of goodwill have also given UK firms an advantage over US rivals when bidding for US agencies. An-other point in some British firms favour has been that emphasis upon strict financial to unseat Mr Don Johnston, controls of a kind not prevalent JWT's chief executive, has been

the obvious strains on the balance sheet, and instead concentrate their attention on the combined group's cash flow. While he was not privy to the levels of debt proposed by the rival bidder for JWT, he is comfortable with his own debt load, even though he was forced to increase his offer twice from the original \$45 per share to an eventual \$55.50. This will give WPP a negative net worth of \$90m, to support \$161m of

There are no plans, he says, to sell off important parts of the group, such as the Hill and Knowlton public relations firm, to reduce the debt burden. Mr to reduce the debt burden. Mr Sorrell draws support for his ambitious bid by quoting one of his heroes, Mr Warren Buffett, the canny US investors. "He was the first man to note that advertising agencies are extremely interesting from an investment point of view because they are, in essence, royalties on the growth of major multinational companies."

multinational companies." WPP has the financing in place for its bid and has enough flexbility in its medium-term loan arrangements to guard against adverse swings in interest rates and currencies. Mr Sorrell is confident that he can use his own brand of financial discipline to improve JWT's pre-tax profit margins from their below-average level of 4 per cent to the industry average of 10 per cent over the next three years. UK brokers have estimated that if JWT's margins can be increased by this amount, WPP's earnings per share should rise by more than a third than a third.

However, putting JWT's financial affairs in order may be the easiest part of the take-over. Despite his outward confidence, Mr Sorrell could face problems in two other key areas. Goodyear, the US tyre giant which last year narrowly avoided being taken over by Sir James Goldsmith, the Anglo-French financier, has already threatened to take its advertising elsewhere if JWT were taken over by a British firm. Several other leading JWT clients, such as Ford and Burger King, are also reviewing their relationship. Ford alone accounts for one tenth of JWT's advertising business.

Finally, there is the question of who will run JWT once the dust has settled. Mr Sorrel's plan to reinstate Mr Jack Peters, who was sacked as JWT's president after an abortive attempt earlier this year However, these acquisitions pale by comparison with Mr Services company specialising largest advertising agency. With a handful of other US companies, JWT has dominated the international advertising advertising accorded to UK and four in the US since services. Through a companies, JWT has dominated the international advertising advertising accorded to UK media groups. Several other factors have argued that both services company specialising been cited for the aggressive been cited

Lombard

US anti-trust at the crossroads

By A. H. Hermann

VIEWED FROM this side of the of courts show, understandably, VIEWED FROM this side of the of courts show, understandary, Atlantic US competition policy a much slower acceptance of appears sometimes deceptively radical innovations. True, in simple and monolithic. Novel ideas, forcefully expressed by tended to give greater weight an assistant attorney general, in a judgment, or in a new book, enforcement may lessen the tend to obliterate the mulitude inventiveness of dominant companies than to the argument that it may enhance the inventiveness of their smaller rivals.

This may be why the "business friendly" Chicago School's interpretation of anti-trust laws, adopted by the Reagan Administration, looms so large in the minds of many European observers. The Faculty of Laws of University College, London, deserves some gratitude for shattering this over-simplified picture by inviting Prof Eleanor Fox of New York University to talk to a group of competition experts about the theory and practice of competition enforcement in the US and the European Community. She quickly made it clear that there is a virulent academic backlash in the US against the Chicago at-tempt to replace law by an in-vestigation of the economic efficiency of mergers and restric-

when asked to explain the essence of the Chicago argument, a New York experience ment, a New York experience comes to mind. Daring to contradict my highly successful host I was reproved by one of the circle listening to our discussion: "Look at his bank balance," he said, "and you will see that he must be right." In which the same suifut the much the same spirit, the Chicago School's economic analysis abroad leads to the conclusions that the successful corporation knows best. As long as the merger, the acquisi-tion or the restrictive practice can increase profits without raising consumer prices, it improves, so it is said, the allocation of resources for the greater happiness of all or of most. And if there is no profit in the venture, business will give it up without any need for state intervention.

This way of thinking greatly influences the policy of the Department of Justice and of the Federal Trade Commission. Their anti-trust enforcement has been put on the slow burner. However, the majority of anti-trust enforcement in the US takes the form of private actions and there the decisions

that it may enhance the inven-tiveness of their smaller rivals. However, on the whole, the courts are slow in accepting the Chicago School's belief in the self-sufficiency of market forces. This was made amply evident by the recent approval by the Supreme Court of the Indiana law for the protection of sharelaw for the protection of shareholders against takeover bids.
The widely expected appointment of the Washington judge
Robert Bork, a Chicago School
believer, to replace Justice
Lewis Powell who resigned last
week, may tilt the balance of
the Supreme Court, now often
split on important issues of
business law

business law. The opposition to the Chicago School's point of view stresses that anti-trust laws are not concerned exclusively with economic efficiency. Indeed the main concern of the legislators was to preserve the opportunity for to preserve the opportunity for small businesses to compete with large corporations. The anti-trust laws were designed with a wider aim of protecting freedom and the weaker members of society by preventing a dangerous accumulation of power in the hands of a few.

These arguments are also pertinent to the problems of the UK Improvements in the standard of life for those in distressed or under-developed regions and for ethnic minorities, and the rescue of inner

ties, and the rescue of inner cities by new enterprise cannot be schieved without some support of the weak against the strong and well established.

The belief that market forces will ultimately put everything right and that those who cannot hold their own against the stronger should be left to their fate may, in the end, prove to fate may, in the end, prove to be too costly in terms of social harmony and happiness. The attempt to use economic efficiency as a yardstick of what is right or wrong is bound to fail. Economics deal only with one of the many concerns of law. Man does not live by bread

Judgment on

From Mr B. Leeming

has ruled that the 23 defaulting governments, including that of the UK, all members of the International Tin Council, are not liable for the FTC's obliga-

Not content with this amazing piece of legalistic logic he makes the gratuitous comment that "Banks and traders no doubt profited handsomely in the past from the presence of the ITC headquarters in Lon-don, but the losses now suffered are formidable."

Apart from the total lack of a sense of proportion apparent in this shocking remark, has nobody informed His Lordship about the enormous price benefits enjoyed for years by ITC producer members through the council's use of the London market structure? These massive additions to several nations' exchequers utterly dwarf the routinely modest rewards of banks, brokers and traders who co-operated with

the ITC in good faith. No doubt Mr Justice Staugh-ton has done the best he could, drawing on near precedents in an unprecedented case. We must hope that the law in the International Court of Justice will not turn out to be such Bruce Leeming.

Solars, Chiddingfold, Surrey.

Views of the

From Councillor Ann Pembroke Sir,-While amused-and flat-tered-by the distinction offered need—op the distinction offered me in the role of cinebuff, the serious issues debated by the planning and communications committee of the Corporation of London relating to the building designed by James Stirling for the City of London's prime site, were ignored by Observer (June 24).

Planning permission for the building was refused on several grounds, primarily, in the committee's view, for not complying with the Secretary of State's earlier counsel. It was con-sidered the plan was not a worthy successor to the preworthy successor to a sent site, which contains eight "listed" buildings. The proposed building far exceeds in height and size the present block, which forms part of a conservation area. The ancient and historic thoroughfare of Bucklersbury, first a tributary of the Walbrook, flowing to the Thames, today a cloistered lane, would disappear in the bulk of the proposed building. The views from Cornhill of St Paul's and St Mary-le-Bow would be obstructed. There would be a loss of street level shops.

Letters to the Editor

It is admitted that this site has caused a temporary dip in sunsuitable for dealer floors. the level of investment. Our is unsuitable for dealer floors. The present buildings have charm, and proportions to com-plement stately neighbours, the Mansion House and the Bank

(Conneillor) Ann M. F. Pembroke, Deputy Ward of Cheap. Members' Room, Guildhall, EC2.

Number 1 **Poultry**

From the Rector, St Mary-le-Bow

St Mary-le-Bow
Sir,—I am sure that your
learned and delightful architecnural correspondent, Colin
Amery, who was present as I
was at the opening of the newly
restored V & A garden will
agree that Sir Roy Strong has
shown us how Victorian architecture can have a new lease
of life. The restored terracotta facade of the V & A quadrangle, offset by incense pines. rangle, offset by incense pines, raised lawns, paving and water restores an Italianate villa to

the people of London.

Is it not, therefore, the case that Belcher's vigorous Victorian buildings at No 1 Poultry could be given the care and attention which will renew their shilling to place the care their shilling the care their shilling to place the care their shilling the care th attention which will renew their ability to please the eye and serve the needs of the City? The rejection of Mr Palumbo's scheme for No 1 Poultry by the City planning department gives this benefactor of the arts an opportunity to be characteristically generous and to hear these ally generous and to hear those of us who say James Stirling is a great architect but is his proposal the right one in the right place? (Reverend) Victor Stock, Cheapside, EC2.

Manufacturing productivity From Mr P. Spencer

Sir,-Simon Ward (June 24) fails to appreciate the nature of the calculations Giles Keating and I have made (June 15). These estimate the underlying trend in labour productivity, abstracting from short-run effects. (We estimate this effects. (We estimate this trend to be 4 per cent a year.) As such, they are based on an estimate of the underlying trend increase in the cost of

labour relative to capital, Temporary movements in the relative cost of labour away from this trend will cause varia-tions in the growth of capital per head and hence productivity. For example, the re-form of Corporation Tax in the 1984 Budget increased the cost of that . . . that distinguishes the 14 Tensing Garde of capital. As expected, this style of the Alliance politics Billericay, Essex.

trend signed to avoid this sort of effect, which have served to confuse the debate.

The immediate outlook for productivity growth is excellent. We expect actual produc-tivity to grow by more than 4 per cent in manufacturing this year due to a cyclical increase in utilisation rates. Manufac-turing output will rise by at least 5 per cent, well up on the 2.2 per cent suggested by Mr Ward.

Peter Spencer. Credit Suisse First Boston, 22 Bishopsgate, EC2

Changes to

From the Managing Director, Cable London

Sir,-We are concerned that the proposed changes to tele-vision (June 24) will not be radical enough.

The current ITV monopoly with its well-documented ex-

cessive profits and associated high labour costs is built on the false premise that the air-ways are a scarce resource. The continuance of the mono-poly is "justified" by the need

for high-quality programmes. It is our proposition that with two advertising-free BBC chan-nels and an independent Channel 4, it is essential that ITV be transformed. The regions should be smaller, and a second network

should simultaneously be created. The above changes will be in the interests of advertisers and viewers alike. The increased airtime will allow a diversity of control and access to independent producers as well as acting as a break on spiralling TV advertising costs. More interestingly, from our perspective, a redistribution in the balance of opportunities to enter the television industry will lead to an acceleration of development of the cable industry with related opportuni-ties for programming choice, including pay per view. Stephen Kirk

13, Howley Crescent, NW1. Finding an

alternative

From Mr P. O'Shen. Sir.—In "Time yet to find an alternative" (June 24) Peter Pulzer writes "The SDP made one-person-one-vote the corner-stone of its constitution. It is from that of Labour."

Back in 1981 when the SDP was being formed, the draft constitution in outline claimed that one-person-one-vote would be a fundamental principle of its constitution but in the final negated by a number of provisos. Roy Jenkins was the first Leader of the SDP and he was elected to that post on a one-person-one-vote ballot but he "resigned" after the 1983 general election and David Owen succeeded him without being similarly elected. Another claim made in the draft con-stitution was that "it seeks to ensure that those who lead the Party will not dictate to the Party..." Seven years on the SDP is still very much the property of the Gang of Four. Surely a truly democratic system would have brought about some changes in that

The leader of the Liberal Party was elected in 1976 and there has not been another election for that post since. Is Many were attracted to the SDP in the beginning hoping that here at last was a Party offering one-person-one-vote to its members and seeking constitutional reform for the nation. They were expecting too much. Leaders and caucuses and activists know too well that they cannot manipulate or predict a one-person-one-vote. Regretfully, the distinction that Peter Pulzer writes of does not exist in practice.

P. J. Pace O'Shea, 13 Westchester Drive, NW4.

Forcing land into use

From Mr V. Blundell Sir.—Mr A. Hollway (June 25) does well to attribute lack of imagination to the govern-ment in its approach to the problems of the inner cities, but while condemning subsidies and hand-outs, he offers no real alternative. All subsidies and grants, whatever form they take, are ultimately capitalised in the rent or price of land. The enterprise zones have con-

Land is the passive factor in production, and labour and capital cannot operate without its "consent." What is needed is a spur to land use. Owners of idle land in the inner cities complain that they cannot rent or sell their land, but as my local estate agent assured me you can sell or let any property
—at a price. A hefty tax on the value of land would be the spur to make the land earn its keep, by forcing it into use.

The prospect of government hand-outs will only induce land-owners (including the local authorities) to hold on to their land.

V. H. Blundell. 14 Tensing Gardens,



FINANCIAL TIMES

Monday June 29 1987

Tiphook Trailers, Containers and Rail Wagons move around the world. Tiphook@ic

Roderick Oram on Wall Street

Seoul gas clouds the outlook

NEWS of Seoul police tear gassing foreign investors and given a nasty knock to New York and London share prices of the two leading investment funds geared to foreign-

Fund managers and analysts argue, however, the downturn is an opportunity to buy into South Korea's speciacular economic success. They find it hard to imagine a political scenario, at least in the medium term, which could derail its fast

"I think some foreign investors forgot the economic fundamentals which are stronger than ever," said Mr Jinho Chung, a Prudential Bache analyst who returned last week to New York from a two-week trio to South Korea.

Although trading in the Korea Fund in New York and Korea Europe Fund in London, has been heavier than usual, the majority of shareholders "are sophisticated enough to know what goes on politically does not have much effect on the economy," said Mr Peter Irving, managing director of Korea Schroder Fund Management in London which runs the Korea Europe fund.

With direct access to South Korea's stock market reserved for domestic investors, the two closed-end funds are virtually the only way foreigners can participate in stocks like Daewoo. Twenty years ago it was small in mini skirts. Today it is big in microchips and a wide range

of other high-tach goods.

Shares in Korea Fund, run by New York investment managers Scudder, Stevens & Clark, in-creased sixfold from their \$12 launch in August, 1984, to a high of

\$72½ last spring.
The subsequent slippage accelerated as the intensity of demonstrations escalated in Seoul. The price has fallen 9 per cent since the beginning of June as daily trading volume rose from an average of 28,000 in May to a peak of 246,000 last Monday. Volume and price stabilised later last week.

The Korea Europe Fund, which raised \$30m on its launch in April has suffered a sharper fall from around \$25-a-share to near \$20 with a drop of nearly \$2 last Friday

The volatility might reflect its thin trading since most shares have ended up in the hands of long term investors. Although the issue had been widely placed around Europe, Japanese institutions in particular rounded up a lot of them in the first

week of trading, Mr Irving said. No doubt the Japanese see paral-lels between South Korea's nascent industry and their own 20 years or so ago. Just like Tokyo's stocks in the 1960s, Seoul's are trading today at average price of about eight times estimated current year earn-

Despite the funds' fall, their shares still command a near 100 per cent premium over the value of their Korean stocks, reflecting investors hopes for the companies' fast growth. The Korea Fund's net asset value has remained almost constant around \$31.50 a share. about \$200m in total, through the

Korea Europe's net asset value is around the \$10 a share seen at its

Mr Chung says that "Korea's stock market historically has re-sponded very objectively to political factors. Even unsettling events in the past were taken rather surprisingly in stride."

In contrast, the Government's attempt this spring to slow the stock market's fast rise by institutional investment curbs lopped more than 12 per cent off the composite index. But the market has begun to show political sensitivity. Although prices are little changed overall, they have bounced around with each development making the stock index something of a "sincerity index". If investors feel a government action is an earnest effort toward democracy. the index goes up. Any hint of a tac-

Mr Chung says he would only become concerned economically if the Korean currency appreciated more than 15 per cent a year, compared with a current rate of 12 per cent, or oil prices or interest rates rose

South Korean unrest 'may force' elections

BY MAGGIE FORD IN SECUL AND STEWART FLEMING IN WASHINGTON

SOUTH KOREA'S ruling Democratic Justice Party was yesterday drawing up a series of proposals to put to President Chun Doo Hwan as opposition leaders claimed last Friday's nationwide demonstrations as a victory in the drive for democratic

About 200,000 people demonstrated in 57 cities and towns, substantially higher than the turnout on June 10 when the wave of protests began. Although a number of police vehicles and buildings were attacked and set on fire, police reported no major violence and no serious

The ruling party was reported to be considering the opposition's de-mand for direct presidential elections before the end of the year, so that a democratically elected leader could take over from President Chun when he steps down at the end of his term in February. Two other alternatives - a referendum to decide the type of government and a dissolution of the National Assembly followed by general elections - were also being considered.

BY JOHN WYLES IN ROME

Rcs, which is Italy's leading pub-

lishing group and controls the top daily newspaper, Corriere della Se-ra, is to take a 12.5 per cent stake in

Fep, Hachette's publishing subsid-

iary, and 5 per cent in Publications

Filipacchi. The Italian company's

Some DJP leaders were believed to be urging Mr Roh Tae Woo, the party chairman, to give up his presidential candidacy, because the President had now withdrawn his April statement suspending demo-cratic debate. Mr Roh's candidacy started off the trouble in the country as people reacted against a fur-ther seven years of military-backed

The opposition Reunification Democratic Party, led by Mr Kim Young Sam and Mr Kim Dae Jung, yesterday decided to wait and see the new proposals before taking any further action. Mr Kim Dae Jung said he remained sceptical about President Chun's intention to give up any of his power. President Chun met Mr Kim Young Sam last Wednesday for the first time and later had a round of meetings with other political and church leaders, including Cardinal Kim Su Whan, the Catholic primate.

Detailed transcripts of the meetings were published in the press, giving people a new insight into the personality of their leader, formerly

Italian and French publishers

They have already set out along

this road with the agreement under which Rcs will publish an Italian version of the Hachette woman's

One significant effect of the Ha-

magazine, Elle, in September.

link through cross holdings

A NEW international publishing alspective countries, the Italian and

liance is in the making following an French companies say that they are

agreement to exchange sharehold- aiming at an alliance capable of ings between Italy's Rcs Editori - joint publishing ventures, as well as

once better known as Rizzoli - and common efforts in audiovision and

the French groups, Hachette and other advanced communications

capital will be increased, mean-chette stake in Res is that it will re-while, to accommodate a 10 per cent-duce the holding of Gemina, the Fi-

Hachette shareholding. These cross at-controlled company, from 82.05 holdings should be established by per cent to 55.84 per cent. Gemina's the end of the year, and their total control of Rcs, and through it of the

value is expected to be between Corriere della Sera, has been wide-L160bn and L180bn (5121m-5136m). ly criticised as an example of exces-

As market leaders in their re- sive Flat power since the company years.

At the same time, the first news paper pictures were published of Mr Kim Dae Jung for seven years. Mr Kim is banned from politics under a suspended 20-year jail sen-tence for sedition widely thought to have been imposed on the basis of a trumped up charge.

Meanwhile, conflicting reports of statements by US officials who have recently visited Seoul filtered back from Washington. Dr Gaston Sigur, the Undersecretary of State for East Asia, was reported again to be urging President Chun towards genuine democracy.

Another official, Mr Edward Derwinski, Undersecretary for Secur-ity, was quoted by agency reports as saying that a consensus opinion was emerging that President Chun could be replaced by an interim president until after the 1988 Seoul Olympic Games.

Analysts were sceptical yester day about the existence of any consensus on such a formula, which they thought would be quite unacceptable to the opposition and probably to the people.

also owns the Fiat daily newspaper

day for Rcs to seek a quotation on the Milan stock exchange. Mr Gior-

gio Fattori, the Res managing direc

tor, was reported at the weekend

saying that the Hachette holding

coupled with the planned public of

fer would take Gemina's stake

down below 50 per cent.
The deal with Hachette marks a

further stage in the rehabilitation

of the former Rizzoli after a che

quered decade which saw it fall un-der the contol of Mr Robert Calvi's

Banco Ambrosiano. Links with the

P2 masonic group badly discredited the Corrière, which has only really

begun to demonstrate a revival of

self-confidence in the last couple of

Gemina gave the go-ahead on Fri-

La Stampa.

Locusts join litany of **Eritrean** plagues

By Jeremy Harding, recently in Eritrea

THE APPEARANCE of desert locusts in the war torn territory of Eritree is causing widespread concern in the region as a whole. A report issued in May by the UN Emergency Prevention and Preparedness Group in Ethiopia (EPPGE) comments that "the lo-cust situation in northern Eritrea presently appears to be out of

Last month swarms were reported in norther eastern Sudan at Kassala, a short distance from the Eritrean border. Aid workers and government officials in Khartoum are worried that more swarms may be imminent in July

and August.
"We will know if things are really serious in Eritrea," said a US aid staff member in Khartoum, "when marching bands of hoppers or swarms start coming through the mountain corridor between Tessenei and Kassala."

The hopper stage of the desert locust's life cycle lasts approximately forty days, after which it enters the adult stage which may last anything between a further three to five months. The female can lay three times during the adult stage.
The 26-year old war between

Eritrean guerrillas seeking inde-pendence from Ethiopia, and Addis Abbaba, which annexed the territory in 1962 is a serious obstacle to tackling the infestation effectively.
The Eritrean People's Libera-

tion Front (EPLF), with its bases in the north, controls at least two-fifths of the territory, including a substantial coastal strip. It also fields small guerrilla units areas surrounding Eritrea's principal towns, all of which are held by Ethiopian Government troops. The coast and much of the territory's western rural areas are notorious breeding grounds for the desert locust.

The EPPGE's report states that aerial spraying took place in February and March north of the Ethiopian controlled port of Massawa - though how far north the report does not specify. At the same time, officials of the Desert Locust Control Organisation/ East Africa (DLCO/EA) confirms that it has been able to spray from light aircraft along Sudan's Red Sea coastal areas, extending its operation beyond the Sudanese frontier as far south as the Eritrean coastal town of Mersa

In Khartoum, officials of the Eritrean Relief Association (ERA) - a pro-independence agency with strong links to the EPLF - point out that this still leaves key areas of the coastline without adequate attention between Massawa and Mersa Teklai. ERA and the EPLF have launched two appeals to internatainened two appears to interna-tional agencies for comprehen-sive spraying. In the meantime, says EPLF agricultural expert Mr Heruy Asgedom, more locusts in the pre-adult stage have been sighted further west in Barka province, near the border with

With the infestation threatening sorghum harvests throughout the guerrilla held areas, the EPLF and ERA are taking initiatives of their own. Mr Asgedom says that they have carried out limited spraying from Toyotas and also distributed motorised pesticide napsacks in the northern coastal districts.

The EPLF claims to have set up 10 monitoring and control sta-tions in the territory, deploying sprayers wherever possible. Six of these stations, according to Mr Asgedom, are in southern rural areas near Ethiopian garrison towns, where a small but significant guerrilla presence restricts government activity. Here, explained Mr Asgedom, the EPLF can only deploy hand pump op-erated napsacks, which are of limited use.

Dr Abdel Moneim Karrar, who heads the locust control section of Sudan's Plant Protection Department, is taking the threat across the border very seriously.

"It's a disturbing situation" Dr Karrar reflected, scrutinising the map in his office. "Without proper control in Eritrea, one worries about exactly what may be comTHE LEX COLUMN

Importing hedges

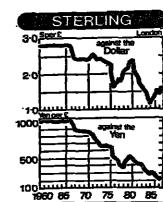
The "comfort threshold" of fund managers and trustees in relation to foreign investment has been steadily shifting upwards for sever-al years. But aside from injecting foreign return projections into classical risk/return models, little serious thought has been given to whether there might be an opti-mum level of internationalisation. Paul Woolley of Baring Investment Management has been seeking to fill this gap with the intuitively ap-pealing idea that optimal diversifiation coincides with the degree of openness of the domestic economy, represented by imports as a percen-tage of GNP (28 per cent in the UK, 13 per cent in Japan and 10 per cent

ies as a set of future consumption baskets, Woolley argues that a pot-ential increase in the cost of living triggered by currency depreciation should be hedged by foreign currency assets in proportion to import penetration. A fund would then be matching the currency mix of as-sets with the expenditure pattern associated with its future liabilities. In most respects this follows the logic of a currency hedge and can hardly be rejected by conservative fund managers as speculation; in-deed, not to hedge is to speculate on the relative strength of the "home"

Thinking of pension fund liabili-

However, as with all currency hedges it also assumes that exchange rates do not properly reflect differential inflation rates. While this may be true over the short-run, figures compiled by Phillips & Drew suggest that over the longer run - which is after all what matters to pension fund managers – purchasing power parity does prevail. the average yearly UK infla-tion rate of 8.3 per cent between 1960 and 1986 is almost perfectly matched by the US dollar, which has inflated 5.2 per cent and appreciated by an average 3 per cent (relative to sterling) annually during the same period. Japan, it is true, is not so neat with a 6.2 per cent infla-tion and 4.5 per cent appreciation, but the combined figure for Ger-

many is also just over 8 per cent. theory - like any hedge - may have some merit in ironing out the fluctuations, but that is what interest



kets are rigid enough to ensure that wages always rise to compensate rise that represents retained earn-for currency depreciation; that may ings. Well forget it. be true in the UK, it is less so in the There is precisely no correlation US. And, more mundanely, does the import content in the consumption of pensioners really coincide with

that of the average consumer? The difficulty with most general ing risk return requirements of a myried of funds; why, for example, should a safety first fund bother about international hedging when it can stave off purchasing power erosion with index-linked gilts? Nevertheless, commany baselynames is supported by the same state of the same st theless, common benchmarks do ing five-year investment periods, he have macknowledged influence in looked at the way the market values reinvested profits by dividing ment and Woolley has at least set share price changes by retained people thinking. The most serious earnings. The results are dramatic.

expenditure be duplicated; more to market judged the managements of the point, last year 45 per cent of the point, last year 45 per cent of UK industrial profits came from Kodak and Sears Roebuck to be so overseas. Assuming the average UK fund has slightly less than 60 prices for the additional capital profits and the state of the capital profits. per cent of its assets in UK equities then that 28 per cent import penetration figure has been reached be-dollar in profit it retained. fore investing one penny directly in a foreign security. (The current pro-

Ruling out such sleight of hand and premature talk of a truly interrate differentials in bond markets national equity market - "openness ture company requires capital for are supposed to look after. He also appears to assume that labour mar-sensibly low internationalisation market by issuing new shares.

limit compared with the standard risk diversification models (now imprudently recommending up to 50 per cent foreign). The Woolley figures could well provide the most realistic benchmarks over the next few years. But if Japanese fund managers pay them too much atten-tion they will soon be hitting their limit, and then who will finance the

Vanishing earnings

Remember the old academic argument against distributing earnings? Dividends, the argument ran, are a waste of time and taxes be more efficiently by the share price

between earnings and share prices, says Mr. Ben Ball in tomorrow's Harvard Business Review. Bluechip companies should distribute their profits because the market investment theories is that they will ruthlessely discount anything mot encompass the widely vary- they keep and in some cases even

people thinking. The most serious criticism of his work lies in the old-fashioned assumption that UK companies make sterling profits.

The UK corporate sector has, in fact, been making life easy for the fund managers by doing the hedging for them. If the companies are already buying sophisticated hedging instruments why should that expenditure be duplicated; more to market judged the managements of

available to them. At rock bottom, Xerox's stock fell \$2.20 for every

portion of UK private sector pen-sion funds abroad is just over 20 per retained. The solution: managements should return profits to the market in the form of dividends where a dollar is a dollar. If a ma-

David Owen set to reject call for merger of two UK parties

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN LONDON

mounting pressure from within his tive motion which she and her sup-own party and from the Liberals to support a full merger of the Alli-more balanced choice between ance parties.

In a crucial meeting of the SDP's per on the future constitutional framework of the Alliance, Dr Owen will reinforce the "anti-merger"

Today's session will centre on a of the SDP. The party leader expects to win the vote.

The proposal has enraged the pro-merger faction within the SDP leadership, which claims it is heavi-

day expected decisively to reject dent, will put forward an alterna-

merger or closer links.

Last night, efforts were still being national committee, called to for-mulate the wording of a ballot pa-Wilson, the Liberal party president, Wilson, the Liberal party president, to see whether there is scope for the two parties to jointly agree on the wording and the timetable of balmessage he gave to party members lots planned for their respective

The move is designed to strengthmotion put forward by two Members of Parliament supporting Drion at today's SDP national committee meeting but Mr Wilson the Liberals but rejecting any formula which involves the "abolition" bad been confined to "informal contacts" but the contacts will a which involves the "abolition" bad been confined to "informal contacts" but the contacts will be contacted to "informal contacts" but the contact will be contacted to "informal contacts" but the contact will be contacted to "informal contacts" but the contact will be contacted to "informal contacts" but the contact will be contacted to "informal contacts" but the contact will be contacted to "information" but forward by two Members of Parliament supporting Driver in the arm of the pro-merger factors are to be contacted to "information" but for a contact with the contact will be contacted to "information" but for a contact with the contact will be contacted to "information" but for a contacted to "information" but for a c versations". It seems unlikely that the initiative will prove capable of staving off a decision to back the Owenite motion.

Dr Owen made clear at the week-

DR DAVID OWEN, the British Soly biased against their case. Mrs end that he will not serve in a cial Democratic Party leader, is to-Shirley Williams, the SDP presimerged party. His stand is certain to spark off a fresh bout of internal fighting within the SDP

The SDP leader last night re ceived important eve-of-meeting support when his party's Scottish Council voted to reject a merger and gave their backing to a ballot on the issue. But Dr Owen's latest comments

drew immediate criticism from Mr Bill Rodgers, a founding member of the SDP who is in favour of a merger. He said the party leader appeared to be "putting a pistol to the head of party members" and saying 'either choose union or choose me."

Further pressure from within the SDP came last night from a group of 80 party candidates who wrote to Mrs Williams, describing the suggested wording of the Owen-backed motion as "highly inapropriate"

Background, Page 8

Iran renews attacks on Gulf shipping Continued from Page 1

the Fao peninsula. It is also increasing its naval presence within the Gulf from seven to 10 ships and is sending the World War Two battle-ship Missouri to patrol off the Iranian coast just outside the waterway. A senior Iranian Revolutionary

Guards officer said at the weekend that these moves amounted to a "declaration of war" on Iran. The Tehran leadership has warned the

break of several weeks after Iraq's apparently mistaken missile attack on the US frigate Stark in mid-May,

in which 37 American sailors died. Baghdad resumed its attacks on ships trading with Iran on June 20.
Iran, which depends on sea

Reagan Administration repeateury against intervening in the Gulf.

The full-scale resumption of the so-called "tanker war" follows a so-called "tanker war" follows a for Iraqi strikes, it has singled out to reach of constraint weeks after Iraq's transmitting with Kuwait, one of the source of the source was full to the same. To retail the source of the source was full to the same was in the source of the s Reagan Administration repeatedly routes to export the bulk of its oil Baghdad's two main financial backers, since last summer. It has also apparently laid mines in the sea-lanes off the northern Gulf state. Kuwait is being helped by US of-ficials to search for mines,

World Weather oil prices or interest rates rose sharply. Trade friction with the US is unlikely to curb exports. "If tanks begin rolling down the streets and there's real violence," said Mr Myrick Hatch, vice president of the Korea Fund, "then perhaps the Koreans' confidence and optimism would begin to wane and long-term planning falter. But even then you'd only be talking of 6 percent annual economic growth instead of 12 per cent now." Martial law or a military coup appear remote possibilities for now and the government is said to be developing wide ranging initiatives to hasten democracy. Should these happen, the stock exchange's sincerity index could become a euphoria index. **C of the Koreans' confidence and law of the content of the Koreans' real violence," said to be developing wide ranging initiatives to hasten democracy. Should these happen, the stock exchange's sincerity index could become a euphoria index. **C of the Koreans' confidence and law of a military coup appear temote possibilities for now and the government is said to be developing wide ranging initiatives to hasten democracy. Should these happen, the stock exchange's sincerity index could become a euphoria index. **Total Law of the Court of the Koreans' rates rose sharpen and the source of the Koreans' rates rose sharpen and the source of the Koreans' rates rose rates rose and the source of the Koreans' rates rose rates rose and the source of the Koreans' rates rose rates rose and the source of the Koreans' rates rose rates ros

Belgian plan for EC summit

Continued from Page 1

In spite of French support, that approach is opposed by Belgium, which sees a danger of the transitional arrangement becoming permanent, and the UK, which is opposed to any suggestion of two consecutive increases in national contribution to the Brussels budget.

The southern member states -Italy, Greece, Spain and Portugal, backed by Ireland – all want a clear commitment to at least the doubling of spending on the so-called structural funds for social and regional projects. That is a demand the northerners are not willing to





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SECTION II - COMPANIES AND MARKETS

FINANCIALTIMES

Monday June 29 1987



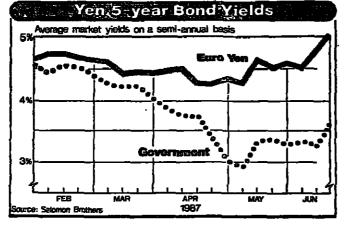
Australian dollar and Euroyen sectors under strain Swiss executives

THE Euroyen and Australian dollar markets, two of the most favoured in the Eurobond arena earlier this year, came under severe strain last week. In both cases, it was partly the old, old Eurobond market story; a problem of oversupply, writes Claire Pearson in London.

In the Euroyen market the problem went rather deeper, however, as the sharp rise in Japanese gov-ernment bond yields for the second week running began to smack of fundamental correction in the yen

Last week, the government bond market was shaken badly by higher short-term interest rates and the prospect of further hefty government funding to finance expansion plans for the domestic economy. And dealers said they foresaw yields going yet higher.

This is a serious setback for the Euroyen market, which has proved one of the most reliable alternatives for borrowers this year. During the first four months the ranks of European investors were swelled by Japanese buyers, who moved in to pickup the attractive yield differentials over Japanese government bonds by Credit Suisse First Boston, new ket was not, however, as bleak as wanted to, what with the general ian dollar interest rates.



available in the Euroven sector, as speculative buying drove yields on

Meanwhile the Japanese houses which dominate the Euroven market were able to encourage a host of highly attractive swap-rates out of the yen into other currencies, to new issue market on ice for some take advantage of these conditions.

According to a research document

The picture in the secondary market if they had tween short and long term Austral-

issues have totalled Y2,000bn so far this year. mestic bonds ever lower.

But last week, the primary Euroyen market virtually ground to a halt, apart from specialty deals designed to suit the cash flow needs of borrowers, many of whom achieved particular investors, and syndicate managers were expecting to put the new issue market on ice for some

a sharp fall overnight in Tokyo,

And dealers say that there has Most dealers ascribed the probbeen steady buying interest at the lem to the onset of the holiday sea-cheaper levels, from banks able to son. It was simply that the thoughts buy up bonds trading at significant of the Continental retail investors, discounts and swap them into float- who still form the bulk of buyers of ing rate funds, and from fixed rate Australian bonds, were turning

The trend was expected to acceler- earlier in the year. ate, especially if supply from the new issues market dried up.

By comparison with the Euroyen market, the troubles of the Australian dollar market last week appeared surprisingly simple.

might have been thought. After a election in Australia on July 11 highly volatile week, prices ended looming. But dealers felt that this up about one point higher than the was not the reason for their suspenclose on Monday, when the market sion of buying activity, given widehad dropped substantially following spread confidence that the Labor administration will be re-elected.

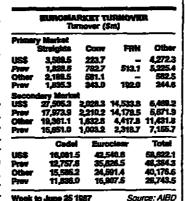
stors simply attracted by the away from the market and towards the beach.

But the massive yield gap be-tween government and Euroyen have been beginning to play in the bonds was beginning to look under Australian sector this year, were threat by the end of the week. As failing to take up the slack, possibly the Euroyen market lagged falls in judging that there was little prosthe domestic market, yield margins pect of a fall in interest rates in the were already beginning to narrow. next few months on the scale seen

> The flow of bonds in the primary market continued unabated, however. Syndicate managers, keen for the profit on the swap which attached most of the bonds, probably judged that they could afford to

The problem was that co-manag-ers, mindful of the huge supply al-ready washing around into the market, felt little incentive to support the new issues. Many of them were in any case for names which were unlikely to catch the imagination of the few remaining investors com-

mitting new money to the market. Most of last week's bonds are believed to have ended up on the lead-manager's books, after having slipped to considerable discounts in grey market trading.



resign from US bank after head is sacked

BY STEPHEN FIDLER IN LONDON

subsidiary of the US money centre profitable and there was no ques-bank, is moving to replace five trad-ers who resigned following last

The bank has appointed Mr Hanweek's sacking of the head of the

Birschler, 38, surprised bankers in hear of the firing of a senior bank-

Mr Birschler, who joined Chemiunderstood to be establishing his kesman said. own company which was expected

Chemical gave no reason for his Bank (Suisse).

CHEMICAL New York Capital Mar-dismissal. An official in New York kets Corporation, the Geneva-based said that the subsidiary had been

The bank has appointed Mr Han-harm Musters, 33, chief operating officer of Chemical's London mer-The dismissal of Mr Jean-Claude chant banking arm, as general manager and managing director of Switzerland, where it is unusual to the operation on an interim basis. Chemical remained committed to

the Swiss capital markets and would replace the traders who quit cal in Geneva in August 1984 from to bring the dealing room back to Banque Scandinave en Suisse, is its full strength of about 15, the spo-

Chemical employs around 75 peoto employ the five traders who re-signed. ple in Geneva, from where it also runs its private bank, Chemical

Sanwa Bank lays stepping stone to corporate Euroyen paper

THE market in short-term yen-de- years but with fairly small volume. nominated securities is taking a step forward with the announcement of a Y50bn Euro-certificate of deposit programme for the London branch of Sanwa Bank, writes Alex- tostrade, the Italian motorway conander Nicoli in London.

Shearson Lehman Brothers International is arranging the pro-gramme and other dealers will be could confirm this. Salomon Brothers International and Sanwa International. It is designed as a stepping stone to corporate Euroyen commercial paper, confidence and a margins of 7.5 to 10 basis points. Last year, keenly awaited but still to be permitted by the Ministry of Finance.

With spectrum and a margins rity of about 10 years and a margins of 7.5 to 10 basis points. Last year, Autostrade arranged an Ecu 200m 11-year deal with split margins. The programme and others expected to be launched soon could

give a boost to the Euroyen CD

market which has existed for some

ket was buzzing last week with speculation about an imminent mandate for a sizeable loan for Aucern. Bankers Trust and Mitsubishi Bank were strongly rumoured to have won the mandate, but neither

Terms were expected to be tight, with speculation centred on a maturanging from 6.25 up to 18.75. The new deal is also expected to involve

Meanwhile, the Eurocredit mar-\$200m to \$220m, and was oversubscribed at that level.

> There was some uncertainty, however, about the fate of a \$250m loan for Portugal's Companhia Nacional de Petroquimica being arranged by Bank of America and Manufacturers Hanover. They said the deal would go into general syn-dication very shortly.

A couple of responses were still awaited before the lead management group could be finalised. Market expectations were that the group, when formed, would have a beavily Japanese flavour.

Czechoslovakia's loan, which met Powell Duffryn, the UK industri- duced within six months.

a strong response despite its tight al holding company, has mandated terms, has been increased from National Westminister Bank to are is arranging the programme as well Greece is tapping Japanese banks range a \$100m multi-option facility, including a sterling option, of which points over Libor for five years and 20 basis points for the remaining two. The facility fee is 10 basis points and utilisation fee 5 basis points if the credit is over half used.

Storebrand, a Norwegian insurance and financial services concern, has made history of a kind in the Eurocommercial paper market by appointing no less than nine dealers to its \$250m programme. This was done for relationship reasons. and the number is due to be re-

\$65m is committed. The seven year maximum of five years. This carcredit has a margin of 15 basis ries a 5 basis point commitment fee as well as a 2.5 basis point extension fee, and advances are at 10 basis points over Libor.

> Integrated Resources, a New York financial services company, has mandated Orion Royal bank for a \$100m five-year revolving credit with a margin of 15 basis points over Libor, a facility fee of 15 basis points, utilisation fees ranging up to 15 basis points and front-end fees of

Hot on the heels of the recent ny, is being expanded to \$300m.

as a \$50m revolving credit, extendi- for a Y20bn two-tranche loan for 10 ble annually by Storebrand up to a years including five year's grace. A fixed rate portion carries a fixed interest rate of Japanese long-term prime rate plus 20 basis points, or prime rate plus 10 basis points with the base refixable after five years. The floating rate portion is at prime

> Two increases were announced: Bristol and West Building Society's facility was expanded from £200m to £250m, with the committed portion going up from £80m to £100m An existing C185m multi-option facility for Capital Holdings Corpora-tion, a US financial services compa-

Bahrain bank in talks with Kuwaiti investment company

BY OUR FINANCIAL STAFF

UNITED GULF BANK, an offshore UGB had been one of five smaller quisition by a Kuwaiti investment fell through. The bank had end-1986 company, according to UGB's gen-consolidated assets of \$307m.

eral manager, Mohsen Khaled. He said talks on a "friendly acqui-Projects Co, 51 per cent owned by the Kuwaiti Government. Shares in both groups were suspended on the Kuwaiti Stock Exchange last week.

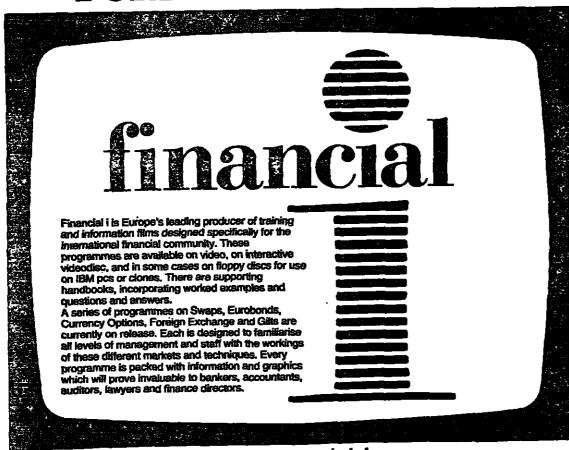
UGB made heavy losses of \$10m in 1985, but returned to the black with a net profit of \$6m last year.

banking unit based in Bahrain, has Bahrain-based banks involved in begun talks that could lead to its ac-merger talks in late 1985, but these

He said talks on a 'mendiy acquisition' were underway with Kuwait cussed at the bank's recent share-projects Co. 51 per cent owned by through a share swap, with the roughly 20,000 shareholders in UGB being offered new stock in Kuwait

He did not expect the deal to go through until early next year.

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Limited Vereins- und Westbank

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Goldman Sachs International Corp.

Commonwealth Bank of Australia

Banque Internationale à Luxembourg S.A.

Merrill Lynch Capital Markets

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CIBC Capital Markets

Dresdner Bank Aktiengesellschaft

Orion Royal Bank Limited

Security Pacific Hoare Govett Limited

Union Bank of Switzerland (Securities)

Limited S.G. Warburg Securities

Westpac Banking Corporation

Wood Gundy Inc.

France's leading television station goes public today. George Graham reports

Political ploys behind the TF-1 rhetoric

spent the last week telling everyone who would listen how much money his television chain was going to lose over the next year or two.

Hinistry have been relentless.

There will, they say, be no revision of the terms on which mr Bourgues bought control of TF-1, which already envisage a

the next year or two.

TF-1, France's leading television channel, goes on sale today, with 7.636m shares on offer to the public for a two-week period at a price of FF 165, valuing the entire television station at FF 2.465bn (\$570m).

TF-1, which already envisage a decline in Antenne 2's and FR3's share of the advertising market, even if this means putting off the small investors who have been assiduously courted for the other privatisatelevision station at FFr 2.465bn (\$570m).

3.465bn (\$570m).

It is a strange tone to adopt for someone who is trying to sell shares in a company, but Mr Bouygues, France's leading construction magnate, has a

construction magnate, nas a deep political game to play.
His aim is to force the Government to re-draft the rules of the television game by barring the two stations which remain in state hands, Antenne 2 and FR-3, from companing for advertising, and peting for advertising, and instead funding them through

the licence fee.

"It is extremely urgent that
the state which wanted, quite
rightly, to liberalise French
television, should restore order on the broadcasting scene by reserving state money to the state chains and private money to the private chains," Mr

Bouygues said. Mr Jacques Chirac, the Prime Minister, seems to sympathise with the construction king turned television tycoon, but his Culture Minister, Mr Francois Leotard, and Mr Edouard

do not seem to be enthusiastic. Only one Frenchman in 100 is keen to buy TF-1 shares, according to a Louis Harris poll.

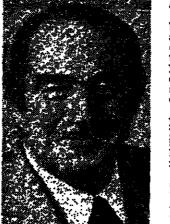
Mr Bouygues, nevertheless,
claims to expect 2m shareholders once the offer is over.

Three months ago, the cement king" semed to have "cement king" semed to have little chance of ending up as chairman of a broadcasting chain. To almost universal surprise, he won in April a fierce battle against the publishing company Hachette—close to the ruling right-wing coalition—for a 50 per cent-controlled stake in TF-1.

The consortium headed by

controlled stake in TF-1.

The consortium headed by Mr Bouygues, which includes the Maxwell press group as well as Mr Bernard Taple, owner of the Olympique Marseilles Football Club, paid a heavy price for control: FFr 3bn, compared with the FFr 1.73bn price tag set vesterday on the



Mr Francis Bouygu king turned television tycoon

partner the Hachette bid, dropped out because it thought the price too high. Cholet Dupont, stockbrokers to the TF-1 issue, estimate the value of the chain at a little under FFr 3bn, or FFr 140 a share, and note that if it were to

station and dropped it back audience and nearly 40 per cent abruptly into the private sector. of advertising receipts, oruptly into the private sector, of advertising receipts, The short-term result has revenues of around FFr 4.1bn been market warfare, as TF-1 by 1990. and the rival channels —

But the channel's costs are especially LA-5, now headed by

the right wing newspaper owner Mr Robert Rersant — tried to
outbid each other for star preto devote at least 15 per cent of engineers.

Star journalists like Ms
Michelle Cotta or presenters like
Dorothee, an inane singer
beloved of France's under-tens, have been signed up for large

Competition for TF-1's dominant share of the tele-vision advertising market, the loss of its licence fee income, and the threat of rival satellite and cable broadcasting networks, all mean that potential investors have little to go on in judging the channel's financial

TF-1's advisers, Banque Indo-Herve Bourges, the station's suez, forecast in the channel's last managing director?

partly as a result of its promis

open tennis championships are now 10 times the price paid for the 1987 rights, TF-1 officials say, while the price of an episode of "Dallas" has doubled. Mr Bouygues' sparring partners in the ministries are un-concerned at claims that they have sold the building mag-nate, and now the public, an

"Last year's accounts have absolutely no significance for the privatised station," Mr Bouygues said last week. "Buyers should understand that they are taking part in a risk operation."

TF-1's advicers Based of the past of extremely expensive pup.

be sold on the same price earnings ratio as British television on television advertising in cause for self-congratulation.
stations it would be valued at France will double over five "If we succeeded in fleecing pared with the FFT 1.730n price tag set yesterday on the compared to the remaining 50 per cent.

The advertising group Havas, which had been expected to the compared to the c

NEW INTERNATIONAL BOND ISSUES Book fluids Yemzicki kat. (Eur.) Yemzicki kat. (Eur.) us doliars Toyama Chamical ¶‡ Yamuura Glass Co. ¶‡ 1,62 Manura int. Schroder Wegg/Cosmo Yennichi Int. (Eur.) Benkera Trust Int. 1.37 1.37 Pasto Corp. 11 Cesso Secs. 11 Nappon 08 and Fats 11 109.1 180 Tops Series V (a) † 1 Ohtsysshi Reed & Con. ¶ Kajima Corp. ¶ Coca-Cola Est. ‡ Homera let. 189 1814 190 188 Daiwa Europe 200 100 75 280 190 50 100 200 100 490 200 490 30 50 CSFB Kidder Psebody Selomen Brothers Nikle Secs (Europe Yantser France Coca-Con car. I Class Corp. Fr. 5 Bond Finance Int. 51 Michine Corp. 9 Nichine Corp. 9 Shinagawa Funi 9 Yamanouchi Phann ical 9 Yamanouchi Phann ical 9 Toyota Moter Corp. 9 Nobia Or 11 5.75 Testencio una cama Deives Europe Yempichi let. (Eur) Mikko Secs (Europe) Daive Europe Morgan Gentanty Klainwort Benson Nokia Cy ¶ Rouse Co. § Miko Sets (Emspe) Goldman Sechs Cives 2 (a) 11 World Beak (7) ‡ Sebre 3 (g) 1‡ Menter Corp. 9 Embart Corp. 5 130 109.95 189 (a) 109 Yanaichi Int. (Eur.) J. H. Schneder Wagg Shearson Lohnun Bre CAMADIAN DOLLÁRS 16,646 9,254 9,855 9,273 Central Capital Corp. ‡ HTT ‡ Prov. of Saskatcharran 75 87 158 1**9**8 AUSTRALIAN DOLLARS 781 ½ 181¾ 787 ½ 181¾ 181¾ 181¾ 181¾ Goldgen Sack: CSFB ASLK-CGER Finance ‡ Indosuez Australia ‡ 13.539 13,491 1991 1891 1891 1992 1990 1992 1992 Hambrer Bank Westung Secs. EBC Auro Bank Credit Lyomais ‡ GTE Festuce ‡ Westland-Utrecht H*bk ‡ 13.461 13.661 Royal Trustee ‡ B-MARKS World Bank ‡ Cason Europa ‡ Sters B (d)†‡ **6.28**4 **6.21**3 SWISS FRANCS Morgan Stanley Credit Scisse Credit Scisse Banque Indostez Warfung Socitic Credit Suisse Olympic Co. 11 Tirolor Wasserks 180 180 25 jain 186¼ 199 188 1997 1997 BBI. Int. 9; St. Genevieve Rese TAT Led. Seibn Credit **5 Micsobisti Ci **5 160 160 150 (188) 10 80 1997 Board Finance lat. \$1 Solvey Fasance Et 9.847 BB İ 4.633 Credit Lyonnais ‡ Brisa Autostrada †‡ Ford Motor Credit ‡ 1992 1992

"Not yet priced. † Final terres. "* Private placement. "I With early warrants. 5 Comentible. † Finality rate note. Il Correccy-insted.
(a) 15hp over Set Liber. (b) Japanese long-term prices rate minus 66hp. (c) Coupen; years 1 and 2 194; years 3–5 74c. (d) 35hp over Set
Liber. (a) 17hp over Set Liber. (f) Launched on US destestic market. (g) 3/1s over Set Liber. Note: Yields are based on ABD basis.

Kvaerner expects better **1987** result

By Karen Fossli in Oslo

KVAERNER, Norway's engineering and industrial group, reported first four month pre-tax earnings of NKr 52m (\$7.8m), down from NKr 57m a year earlier, Total turnover. January through April, reached

The figures for the first four months of this year's operations, however, do not reflect what is expected for the total year, says Kvaerner, the four months figures it says are reflect to the four months figures. month figures, it says, reflect a loss incurred from the delivery of a shuttle tanker. NORWAY is to introduce share has some limited unofficial

For 1987 as a whole Kvaerner expects better results, due primarily to a significant number of orders on the books. mated by Kvaerner at some NKr 5bn.

Indian motor group plans to slice dividend

back in profits for last year. Net profits plunged to £29.3m in the year ended March 1987 from £162.9m previously. Turn-

BY OUR FINANCIAL STAFF

options trading by the end of

this year following a request

from the Oslo bourse, the

Finance Ministry said.

Norway to issue options

The Ministry said it will work move as a chance to introduce

on rules for the options, but more market-making instru-gave no details. Norway already ments.

TELCO, the car arm of India's 2 per cent to £11.97bn. to £370 on the Bombay Stock third to £215.7m huge Tata industrial group. As a result, the dividend has Exchange on Friday. The marblans to more than halve its been reduced to 10 per cent ket had discounted the poor chairman, says the market for dividend following a severe set-from 23 per cent. Moreover, performance. from 23 per cent. Moreover, performance. heavy and medium commercial part of the latest dividend is being paid out of previous year's earnings.

However, the stock markets struck after reduced depreciping to the latest dividend is Gross profits fell by nearly vehicles has not expanded and competition among light vehicle year's net profit was producers brought down truck after reduced depreciping to uneconomic levels. He

share options trading, while Sweden introduced share

options in 1985 and the Stock-holm market has since boomed.

Brokers welcomed Norway's

over during the year showed have not reacted too bearishly ation. The provision for expects vehicle sales t limited growth, rising by just and Telco shares lost only \$5 depreciation was reduced by a to be more profitable. expects vehicle sales this year

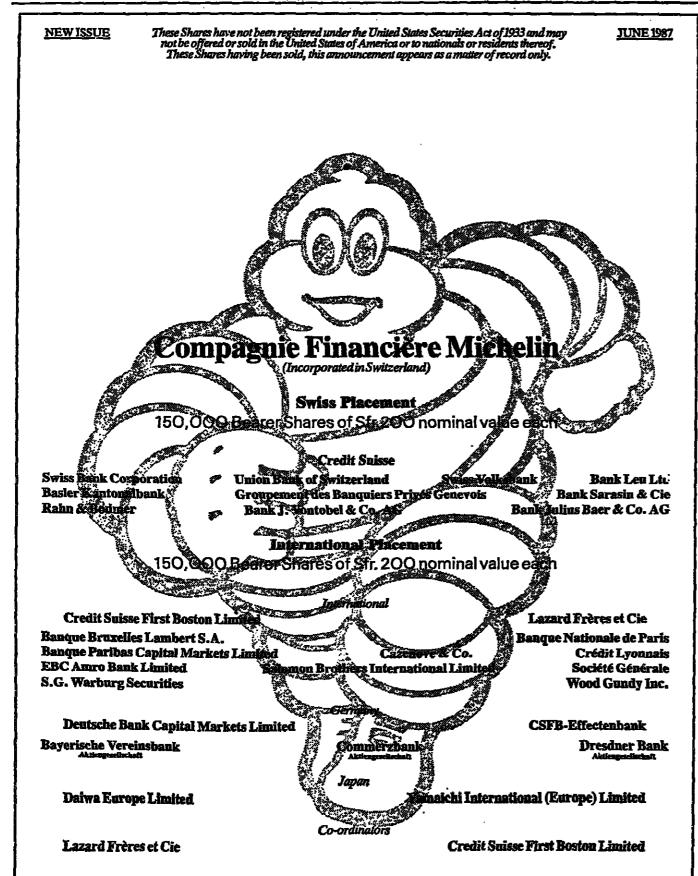
factory results in the first five 395.4m the previous year and months of 1987 despite falls in the dividend was maintained at

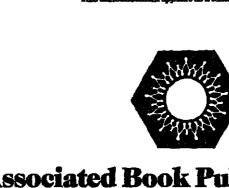
BY OUR FINANCIAL STAFF

the annual meeting.

Hoesch turnover slips HOESCH, the West German steel group, has achieved sati-270.5m (\$148.1m) from DM

turnover and incoming orders, DM 5 a share. Mr Detlev Rohwedder, manage-Mr Rohwedder said difficult ment board chairman, said at conditions in the steel Sector required further rationalisation.





Associated Book Publishers PLC

Disposal of a 35.9% interest held by RoyWest Trust Corporation (Bahamas) Limited

International Thomson Organisation Limited

COUNTY NATWEST

acted as adviser to RoyWest Trust Corporation (Bahamas) Limited

& The NatWest Investment Bank Group Limited

US MONEY MARKET RATES (%)

NRI TOKYO BOND INDEX

† Estimated per yield

ember 1933 = 100

- PERFORMANCE INDEX

yield (%)

4.54

erion. Propies

Last 1 week Friday ago

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

A severe bout of indigestion after quarterly mini-refunding

US BOND PRICES AND YIELDS (%) Money Supply: In the week ended June 15 Wi fell by \$160 to \$744.860 round wiped out some small gains from earlier in the week

FT/AIBD INTERNATIONAL BOND SERVICE

Proctor & Gam 10 95 | 150 | 105 |
Pro Rity Secs 0 97 | 345 | 337 |
Quantas Ahrways & 96 | 97 | 95 | 100 |
Quebec Prov 13 90 | 150 | 100 | 1057 |
Ralston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Roston Punna 111 | 95 | 150 | 1087 |
Saskatchewan 17 | 91 | 125 | 967 |
Saskatchewan 17 | 97 | 150 | 1007 |
Saskatchewan 17 | 97 | 150 | 1007 |
Saskatchewan 17 | 97 | 150 | 1007 |
Saskatchewan 17 | 97 | 150 | 1007 |
Saskatchewan 18 92 | 150 | 1007 |
Saskat 107 | 97 | 150 | 1007 |
Saskat 107 | 97 | 150 | 1007 |
Saskat 107 | 97 | 150 | 1007 |
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Saskat 107 | 97 | 100 | 1007 |
Saskat 107 | 97 | 100 | 1007 |
Saskat 107 | 97 | 97 | 100 |
Saskat 107 | 97 |

and the Treasury long bond ended the week more or less unchanged, to yield 8.48 per cent.
The Treasury auction was of \$24.5bn in two, four and seven-year notes. The problem is that these maturities are too 4.12 140.77 138.54 131.90 short to entice the speculators, who prefer the much greater volatility of longer-dated issues. Meanwhile, retail interest has been decidedly

cautious even as the marekts

have recovered from their collapse in April and May.

Nikko Securities.

"The main technical reason to buy is gone." There was little new on the economic front to encourage buyers into front to encourage buyers into the auction. The only economic news of substance was good news: consumer prices rose by 0.3 per cent in May, which implied an annual rate of inflation comfortably over 5 per cent but no worse than expected. But this was out of the way (or, rather, in bond prices) on Tuesday before the refunding got going. refunding got going.

The Wall Street firms are

| Newmont Mining 7 01 | 160 | 132½ | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1593, | 1

LUXER STRAIGHTS

Copenhagen Tel 84, 89 E18 101₂ 94 Eurofima 10 94 Eur Coal, Sti 107₂ 94 Renauti Acc 74, 88

Bid price 100¹2 107 196 196¹2 100

1890年 1990年 199

Yield 9.56 9.57 9.76 9.76 9.85 9.80 18.12 9.81 9.53 9.53 9.55 9.55

AFTER A listless week, US credit markets suffered a ing long yields will fall under too much inventory. The severe bout of indigestion on Friday with the market stuffed betting money on it. "There with new paper from the with new paper from the Treasury's quarterly miniment from the big sell-off in refunding.

The pressure on prices all round wiped out some small of the year-end have thinned out, but the markets were still unsert's losses from being left with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's April and May," says Mr Bob Brusca, chief economist at round wiped out some small Nikko Securities.

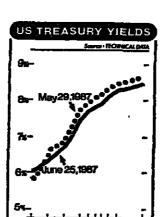
The markets suffered a ing long yields will fall under too much inventory. The But the markets were still unsert's losses from being left with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's about future dollar values from the big sell-off in account of a number of union the markets were still unsert's losses from being left with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's about future dollar values from the But the markets were still unsert's losses from being left with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's about future dollar values from the betting money on it. "There with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's about future dollar values from the betting money on it. "There with collapsing bonds in April bank selling early in the week and May have been put as high and by contradictory signals as \$10n, with Merrill Lynch's and May have been as \$10n, with Merrill Lynch's and May have been as \$10n, with Mer

tunate performances. last Tuesday's figures from the Commerce Department that the US was some \$263.6bn in debt The result was that prices were being marked down for quick sale for most of the to overseas sources (above all second half of the week. The Japan) at the end of 1986. A. Mr Brusca points out, the US Treasury market has been \$70n of seven-year notes ended up down about } point from their issue price on Thursday, to yield 8.21 per cent as against 8.10 per cent. The two-year and driven by the exchange rate and Japanese bond prices all year. For those wishing to specu-late on a rise in the dollar, last

four-year notes, priced to yield 7.46 per cent and 7.89 per cent, were down about the same week saw the latest in a wave of so-called currency-exchange warrants. On Wednesday, Bear Otherwise the US fixed-Steams and Kidder Peabody announced a new offering tied not to the yen but to the Dmark. The offering for the General Electric Credit Corporation, consists of \$100m in interest markets spent an unproductive week reacting to the smallest movements in the foreign exchange markets. From the response of US bonds last week, you might have thought that a yen one way or the other in value of the US dollar actually made a different per cent, three-year notes with attached currency-exchange warrants priced at \$4.75 each.
The warrants can be exchanged at any time until July 1992 but will have a cash dollar actually made a differ-ence to inflationary expecta-

value only if the dollar improves above DM 1.912. Until the end-of-week in-Until the end-of-week in-digestion set in, the bond markets moved wholly in line with the yen/dollar parity: the yield on the long bond ranged between 8.40 per cent and 8.48 per cent as the dollar moved between just over Y146 and just under Y145. THE FOLLOWING statistics are due for release this week, along with estimates of market expectations as surveyed on Friday by Money Market Services, of Redwood City, Cali-

The bond markets can rejoice that the heavy speculation against the dollar has stopped, but it has given way to jumpy, thin trading. The forecasts of Y130 or Y120 to the dollar by



indicators are due tomorrow. The index is expected to re-bound from the 0.6 per cent decline in April, with a consensus estimate of a rise of the same percentage. The 33 estimates surveyed ranged from an increase of 0.3 per cent to an increase of 0.9 per cent. • Unemployment rate for June is due on Thursday. The total unemployment rate is expected to have moved up a little. The consensus estimate is for a rate of 6.3 per cent as against a preliminary 6.2 per cent in May. The 36 estimates surveyed ran from 6.2 per cent to

> Total non-farm employment is expected to move up about 200,000 although the range of 33 estimates goes from 100,000

• The May leading economic

James Buchan

UK GILTS

Focus on sterling and inflation

IT WAS another disappointing week in the UK Government bond market with prices ending as much as 2½ points lower overall. Striking civil servants deprived the market of the latest trade figures to break up the monotony and primary dealers were left focusing almost exclusively on sterling and vague worries about inflationary pressures, the current account and the supply burden.

The Bank of England's obvious market management of the tapstock was generally interpreted rather pessimistically although one is hard put to see why a piece of classic pragmatism from the Government Broker should have any longerrun implications for gilts.

Nevertheless, the pessimists argued that the Bank was acknowledging that yields above 9 per cent were appropriate and the rapidity with which the authorities jumped in to cut the tap price on the first sign of an upward blip in the market signalled a real desperation about funding.

The intervention against sterling has certainly led to a substantially underfunded position but the authorities have never claimed they want to sterilise this on a current basis. sterilise this on a current casis.
Without the intervention, they
would have virtually exactly
funded the Public Sector
Borrowing Requirement. In
addition, as Goldman Sachs
points out, the heaviest period of gilt redemptions is now over —after July, there are no more redemptions until Novemberand PSBR trends continue to look excellent.

Friday's announcement of three tranches totalling £500m across the maturities spectrum hit a market which was already feeling disconsolate and prices ended a points lower on the day. Suggestions that several market-makers were short of these issues, which are in relatively short supply, suggests, however, that there should be some ready demand. In general, last week saw very little retail interest either

at home or abroad. weeks, he says.

There is some small consolation for depressed gilt-edged lief the dollar's current redealers and salesmen in the fact that fixed interest the world over (apart from in the

Mr George Magnus, international bonds economist at Warburg Securities, believes the outlook for world bond markets is pretty bleak, "For bond investors, the only game in town is the prospect of currency plays to the extent that there are further movements in the structure of rela-tive exchange rates." At best, he expects the trend of yields to be flat.

All markets are having to cope with one or more of four major depressing factors—a forecast upturn in economic activity in the summer months after a more buoyant second quarter, a sense of rising inflation, a rapid pick-up in monetary growth (except in the US) and rising public sector deficits.

The Japanese market has been worst hit. The yield on its benchmark 5.1 per cent 1996 issue has risen from around 2.6 per cent in mid-May to around 4.06 per cent on Friday. At the root of this market's problems is the perception that Japanese interest rates cannot be cut further because of a pick-up in growth which will be given a further boost from the recently announced reflation package, rapid growth in money supply, and the return of in-

flation.
Some of the same problems beset the West German and British markets both of which are concerned about inflationary pressures, the level of wage settlements and above-target money supply growth. One ad-vantage for gilts over German bonds is that while Germany's control of its budget deficit seems to have slipped somewhat, Britain's public finances

are in a very healthy state.

Dr Brendan Brown, chief in-Dr Brendan Brown, chief international economist at County NatWest, said the key to the fortunes of these markets is the dollar which the US bond market is tracking so closely. Switching back into Treasury bonds from non-dollar fixed-interest markets has been the key to rising yields outside the US in the past two weeks. he says.

covery won't last and some money may return to non-dolus, at least at the moment) all the above worries then seems to have been given a argue against the switch-back, large thumbs-down by the there are always equities, international investment com-

Janet Bush

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PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the statements table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

GROWING OLD

*NatWest

Announcement last year."

year ASDA-MFI "July 21 Final 1.9

Birmid
Quelcast...July 1
BritoilJuly 25
Poev Corp....July 29
DixonsJuly 29
DixonsJuly 29
PoevryJuly 29
Perranti ...July 17
GUSJuly 21
Cax Service ...July 31
PLicyde Benk .

THE HARD WAY

Final demands...lonely days

pension is no longer sufficient

for single living. All through

others. Yet now, through no

and fearful nights ... friends

out of touch. What should

have been a comfortable

her life she gave to help

IIK COMPANY NEWS

Graham motors to the USM with 30% share placing

BY ALICE RAWSTHORN

THE USM will gain a rare recuit from the motor industry when the Graham Motor Group—which is involved with ear retailing, fleet sales and contract hire—goes public in mid-July.

Graham operates franchises

the parallel problems of overaged and fierce discounting, Graham has succeeded in Graham profitability. The improving profitability. The company attributes this to its strategy of operating a multiplication of the parallel problems of overaged in Graham profitability. The improving profitability. The improving profitability is involved in the parallel problems of overaged in Graham has succeeded in improving profitability. The improving profitability. The improving profitability is involved in improving profitability. The improving profitability is involved with ear retailing, fleet sales and contract hire graham has succeeded in improving profitability. The improving profitability is involved with ear retailing, fleet sales and contract hire—goes public in mid-July.

Graham operates franchises for several motor manufacturers
-including Jaguar Daimler,
Ford, Austin Rover, and
Peugeot Talbot—in the north
west of England. It is going
public in order to accelerate its expansion through both organic growth and by acquisition. growth and by acquisition.

The company was formed in the 1920s by Mr Arthur Graham, together with his brother, Armstrong. It began by servicing cars and later diversified into sales. Graham survived the motor industry recession of the 1970s and has expended in the 1980s to offer a

offering a choice to its fleet contract hire sales and

In its last financial year, to March 31, Graham produced pre-tax profits of £1.73m on turnover of £52m, increases of 50 per cent and 25 per cent respectively on the previous

For the placing the company will issue 30 per cent of its equity on an historic p/e of around 10. Barclays de Zoete

Half of the proceeds of the recession of the 1970s and has expanded in the 1980s to offer a comprehensive motor dealing, fleet sales and contract hire service.

Although in recent years the motor trade has been hit by

Marston Thompson rises 12% to £11.43m

Marston, Thompson & Ever-shed, the regional brewer well property dispose known for its "Pedigree" (£206,000). beer, has announced pre-tax profits ahead 12 per cent to £11.45m on sales up £2.6m to £72.2m for the year to March 28

The brewer's directors are recommending a final dividend of 1.77p (1.54p), making a total of 2.55p (2.24p) for the year on earnings per share of 8.32p

(7.34p).
Trading profits were £14.25m
(£12.85m) out of which depre-

occues after gains from property disposals of £332,000 (£206,000).

In a statement, Marston said that retail sales through its 850 tied houses and many free trade outlets in the North West, North Wales, Midlands and Southern areas had advanced significantly. Sales of lager rose only marginally while ale generally fell slightly. However, sales of draught Pedigree showed strong growth.

ciation took £2.97m (£2.69m)

and the company's share ownership scheme £226,000 eroded by "abysmal weather
(£201,000). Pre-tax profits were during June."

Tuskar buying Ardmore

Tuskar Resources has agreed deal, Tuskar will have I£5m in to buy for about I£8.2m cash.
(£7.45m) Ardmore Petroleum, a Most of Ardmore's oil acrefellow Irish oil exploration comage is onshore Turkey and offpany, in a deal that will nearly

than two months after Ardmore joined the Third Market with a value of 1£6.6m, and it is likely to be the first takeover that the new junior market has seen.

shore Ireland, whereas Tuskar's double the company's size interests are in Ireland, the UK
The all-share offer comes less and the US. Ardmore is also involved in Irish gold explora

As a part of the deal, Silver mines, which owns 29.8 per cent of Ardmore and 5.9 per cent of Tuskar, has given Tuskar the option to buy its 24.7 per cent grow in to a "substantial oil royalty interest in the produccompany," and that the current ing Kinsale Head gas field, and state of the oil market provided its 12.35 per cent stake in the opportunities for growth for Marathon Royalty in the Celtic sound companies. Following the Sea.

BOARD MEETINGS

TODAY Interims: Blue Arrow, Clyde Blowers, Hawthorn Leslie, Theme Holdings, Wilding Office Equipment.
Finals: Bogod-Pelegraph, Campbell, and Amstrong, A. Cohen, Dowty, J. England, Illingworth Morris, 1 ister. Lymon Property and Reversionary Rotaprint, VSEL Consortium.

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MR ALAN SUGAR, the high profile chairman of Amstrad, consumer electronics group, is

Back in September, when Mr Sugar unveiled his first busilaunch into extremely ambi-tious sales forecasts: Amstrad's initial production run of 70,000

of the publicly announce gets, according to market re-

gets, according to market research groups.
Romtec, one of these groups, said Amstrad accounted for 39 per cent of personal computers sold in the UK in the first quarter of the year—comfortably above International Business Machines, the US computer signt, in second place puter giant, in second place with 20.4 per cent. But when translated into units, Amstrad had sold "only"

48,000 machines in the first quarter, according to Romtec: Amstrad was way below its own

What might have been considered a triumph—jumping to the top of the UK personal computer league within three months of launch — suddenly seemed a disappointment.

selling about 15,000 machines a month there, mainly in France, West Germany and Spain, according to Intelligent Elec-tronics, a Paris-based market

personal computer business, but bad in terms of Amstrad's ambitious plans," the group

Stung by this experience, Mr

Albert Hall in London for the occasion, and is deploying 150 of its staff to handle the

accounts have already been

published, showing pre-tax profits of £162m in the year to March 31 last, against £195m in the previous year, with a dividend declared of 4.116p per share, payable on July 31.

Apart from the board of BA, headed by Lord King, chair-man, and Sir Colin Marshall, chief executive, the sirline says

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DEUTSCHE BANK AKTIENGESELLSCHAFT

airline's report and

Hall for meeting

BA hires Royal Albert

IN ANTICIPATION of a large about the airline.

that a team of managers will business, future be on hand to answer any levels, and propos overies from shareholders ment programmes.

number of shareholders turning Even more, a reservations up for the first annual meeting facility will be available for

today of British Airways since anybody wishing to make a

privatisation earlier this year, flight booking at the meeting, the airline has hired the Royal

David Thomas on the launch of Amstrad's latest model

Sugar programmed more carefully

unlikely to repeat a mistake he made last September when he launches his new personal com-Duter range tomorrow.

ness personal computer—the low-cost PC1512—he was drawn by the hype surrounding the a month would rise to more than 100,000 if sales in the US went well.

Those figures have been an albatross round Mr Sugar's neck ever since. For, although UK demand for the machines was strong, sales fell far short

The story was similar on the Continent. Amstrad has been

research group.
"This is good in terms of the

When these figures started circulating in the City last month, Amstrad's share price went into a nose-dive from which it has only recently

Sugar will not talk about unit sales now at all. He says he is get customers, particularly at

AMSTRAD Share Price Pre-tax Profits 220

happy with the machine's recep-tion both in Britain and on the tion both in Britain and on the Sugar argues they will also have Continent and that his plans distinctive niches.

Yet Mr Sugar admits to one disappointment: the failure of the PC1512 to penetrate the computer departments of large companies. Most of the machines have been bought by small businessmen and profes-

Amstrad believes the new range, to be announced tomorrow, will fill that gap: called the PC1640, it will have higher quality graphics, better resolution screen and more memory than the existing range for an extra cost ranging from about 12-29 per cent, depending on the model.
"We've now overcome the

final criticisms voiced of our machine by the corporate market-especially the need for enhanced graphics," Mr Sugar 52Y\$.

An exclusive preview of the PC1640 by Mr Alan Fraser, a senior data processing manager at Ciba-Geigy, to be published in next month's PC User magazine, comparing the Amstrad machine to the latest IBM personal computer, concludes: "I would have no hesitation in recommending the machine in favour of the IBM PS/2 Model for corporate purchases." Although Amstrad's two ranges will overlap in their tar-

Many BA staff who are share-

holders, as well as many who are not employed by the air-

line, are expected to attend,

and BA is making a video of the occasion for those whose

duties prevent them attending.

to quiz the top management on a wide range of issues to which

they cannot gain direct answers through their trades unions or

Such issues are likely to in-

other working relationships.

The meeting will provide a unique occasion for BA staff

conducent and that his plans distinctive niches.

The new range will sell into decline in sales which always large companies; the older hits personal computers in the summer.

Viewed as a machine for home than the summer. use by professionals and busi-nessmen.

small business end,

Computer analysts are divided about Amstrad's new personal computer strategy. "There are two distinct mar-kets and it's entirely valid to aim different products at them. Amstrad's two ranges seem sufficiently different for the two sectors," says Mr Michael Birch, a London analyst with International Data Corporation, a US-based market research consultance. consultancy.

Mr Marek Vaygelt at Romtec is less sure. He believes Amstrad will still struggle to is less sure. get the new range into com-puter departments and that the PC1512 may be too expensive to sell in large volumes into

the home. Whichever view turns out correct will have a crucial bear-is; on Amstrad's figures in 1987-88. Analysts are now fore-casting pre-tax profits in the range £150-£180m for next year.

These are up from their forecasts of about £135m for this financial year, which in Amstrad's case ends tomorrow the dramatic increase will be judged primarily on the success of his new personal computer.

registered by Amstrad in recent years.

The bout of nervousness in product company, run by one man—and a man who does not bothr to observe the niceties expected in the City.

Mr Sugar stresses that Amstrad is more than a per-sonal computer company by talking about the other products he has up his sleeve. A new version of the Amstrad word processor, one of the company's runaway successes when it was launched in 1985, will be unveiled in September. It will have printing of typewriter quality, Mr Sugar says.

He wants to boost his sales abroad, which accounted for 57 per cent of turnover last year, though he stresses he is approaching the US, a notorious trip-wire for UK computer companies, cautiously. Except in France and Hong Kong, where Amstrad has sub-sidiaries, the company has operated abroad through arms-length distributors, thereby minimising its exposure. But it may set up other subsidiaries in some European countries in a bid to increase its sales. It has started selling video recorders in Spain and France, and intends to follow suit in Italy, Scandinavia and Greece. It hopes to sell 25,000 videos a month on the Continent, more

than it sells in Britain. Next year, Mr Sugar says, he will be making a big push in combined TV-videos, which explains his dramatic, though fleeting attempt to intervene the sale of Thorn EMI's Ferguson television subsidiary to Thomson of France, earlier

this month. The restless Mr Sugar is likely to have other surprises in store, though he has dropped his previous notion of moving into the white goods area. He is even considering doing more manufacturing in Europe, now that manufacturing in the Far

of his new personal computer. That is why reaction to the the City does not depend solely ine the future of a company on revised views about sales of whose growth has been one of the PC1512. Old doubts about the phenomena of the 1980s.

Jefferson Smurfit sees I£62m for first half

First-half pre-tax profits of and volume since the start of efferson Smurfit Group, the year in most mainstream Dublin paper and packaging concern were likely to be about I£62m (£56.4m) or slightly in excess of the I£60m achieved second half. for the whole of 1986, the chair-The company had enjoyed a

strong recovery in both pricing extended into 1988.

activities. Prices in both liner board and newsprint would be materially higher during the

Stonehill suspended

clude the current state of the UK and world air transport business, future employment Instead, it has agreed in principle to proposals involving a recapitalisation and changes in levels, and proposed re-equipthe management structure.

The chairman said the group was going to have an outstand-

Shares in Stonehill Holdings, the furniture company, were suspended at 87p on Friday, after the company said that talks which may have led to an offer for the company have been

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Energy Market) Bond Media (Leisure) Chemoxy Intl. (Chemicals) Croesus Mining (Mines, Aus-

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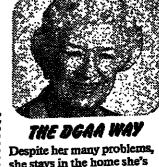
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Ordinary and fully paid fully paid 118,000,000 of 10p each 78,534,702 88,633,192 Gilbert House has historically been involved in the acquisition.

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ED00.#	Company	Price o	Change In week	Gross	Yield	
5,848	Ass. Brit. Ind. Ord.	176	'' wos s +10			P/E
_	Ass. Brit. Ind. CULS	170	+ 4	7.3	4.2	10.7
950	Armitege and Rhodes	38	_	10.0	5.9	_
6,293	BBB Design Group (USM)	76	-	4.2	11.1	5.3
90,011	Bardon Hill	280	+ 8		1.8	18.1
9,376	Brzy Technologies	170	+ 5	5.3 4.7	1,9	23.9
655	CCL Group Ordinary	187xd			2.8	13.6
1,538	CCL Group 11pc Conv. Pret	123		11,5	6.1	4.8
18,597	Carborundum Ord	146	_	15.7	12.8	-
644	Carborundum 7.5cc Pref	92×d		5.4	3.7	12.7
1968	George Blair	106	_	10.7	11.6	_
9,559	ISIO GROUP	120	=	3,7	3.5	27
7,082	Jackson Group		+ 1		_	
54,492	James Burrough			6.B	5.0	7.3
3,387	James Burrough Spc Pref	903KU 97	+ 7	18.2	4.7	8.8
39,768	Multihouse NV (AmstRE)			12.9	13.3	KA
9,936	Record Ridgway Ordinary	432	+10	_	_	20.2
2,214	Record Ridgway 10pc Pref		+ 5	1,4	_	8.7
816	Robert Jenkins	82xd	· —	14.1	17.2	-
4,950		83		_	-	3.5
5,114	Torday and Carlisle	110	+ 3	_	_	
1,868	Trevian Holdings	780md	+ 4	6.8	3.7	8.7
21,600	Unilock Batalana 4000		+10	7.9	1.9	8.5
42,777	Unilock Holdings (SE)	108	-14	2.8	2.6	19.9
4.55?	Walter Alexander	165	_	5.0	3.0	
4,240	W. S. Yestes	195xd	_	17.4		15.8
	West Yorks Ind. Hosp. (USM)	105	_	5.5	8.8	19,5
		_	_	4.0	5.2	11.1

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UK COMPANY NEWS

WA Tyzack urges rejection of 'back door' bid attempt

BY STEVEN BUTLER

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المتوجرية

W. A. Tyzack, the Sheffield success in running a company engineering group, has like Tyzack, and had not relaunched an appeal to share holders to reject what it the management of Tyzack. It

the trustees of Sir John Eastthe trustees of Sir John East-wood, Quarius Investments, are attempting to elect three repre-sentatives to the Tyzack board and unseat the current chair-man, Mr William Dacombe. In a letter to shareholders on Saturday, Tyzack described proposals put forth by the group as "completely irrelevant" to Tyzack's success, and urged

Tyzack's success, and urged rejection at an extraordinary

describes as a back-door take- further defended its own record over attempt by a group of shareholders who hold 28.5 per cent of the company.

The shareholders, comprising Quail Investment, Eastwood Anglo European Investments, the trustees of Six John Part.

by the complete lack of knowledge as to the course of action which would be followed if Quail and its associates gained control," said the letter.

Tyzack has offered Mr Ewan Launder of Quail a position as non-executive director, but the offer was not accepted, and Mr

Bill Eastwood has been proposed as chairman. Tyzack says the proposals constitute an attempt to obtain control of the company without making a bid, "thus avoiding general meeting making a bid. "thus avoiding the Tyzack board said that Quail had no track record of under the City Code.

B & C buys stake in Export Network

The Republic of Italy

In accordance with the provisions of the Notes, notice is hereby given that the Interest Amounts payable on the next Interest Payment Date 28th July, 1987 will be US\$ 353.22 for each US\$ 10,000 Note and

US \$300,000,000

US\$ 8,830.72 for each US\$ 250,000 Note.

Floating Rate Notes due 1997

BY DAVID LASCELLES IN HAMBURG

British & Commonwealth, the . major data and trading net-mancial services group, has work for the UK export financial services group, has bought a 40 per cent stake in Export Network, a computerised database which supplies information about export opportunities. The cost of the stake was £500,000.

The investment marks a return by the group to online databases: it previously owned Telerate and Finsbury Data

Mr John Gunn, B&C chairman, ing network designed specific-said he believed Export Net ally to meet the needs of UK

industry.

Export Network was founded by Mr Roy Assersohn, its manag-ing director. The chairman is Mr Jim Wilks, former chief executive of the British Over-seas Trade Board.

The company claims to be the first comprehensive and com-puterised information and trad-

work would rapidly become a exporters.

Shares of Westwood Dawes, the mechanical handling en-gineer, have been relisted. The shares were suspended on April 6, pending completion of the acquisition of Hugh J. O'Neill, the Canadian engineering parts supplier that is a subsidiary of Mining and Allied Investment.

Westwood Dawes

Benlox

Swiss Bank Corporation

GB-London EC2P2BR

Swiss Bank Corporation

Paradeolatz 6 CH-8022 Zuerich

29th June, 1987

Benlox has acceptances amounting to 46 per cent of the issued shares of Nolton, for which it has made a general offer. This was incorrectly stated as 36 per cent in Satur day's paper.

Bank of America International Limited

NOTICE OF REDEMPTION

Petroleos Mexicanos

U.S.\$125,000,000

111/2 per cent. Bonds due 1988

Notice is hereby given, pursuant to the conditions of the Bonds, that U.S.\$43,750,000 - nominal amount of Bonds is due for the first redemption instalment on 1st July, 1987.

The serial numbers of the Bonds drawn for redemption representing U.S.\$43,750,000 - principal

13.001 to 18,000

28,001 to 33,000

43,001 to 48,000 53,001 to 58,000

63,001 to 68,000

73,001 to 78,000 83,001 to 88,000

98,001 to 101,750 The Bonds drawn for redemption on 1st July, 1987 will become due and payable on that date, together with accrued interest to 1st July, 1987. On and after 1st July, 1987, interest on the Bonds to be

Payment of the Bonds to be redeemed will be made on and after 1st July, 1987 upon presentation and

PRINCIPAL PAYING AGENT Société de Banque Suisse Luxembouro S.A. 26 Route d'Arion L-2010 Luxembourg

PAYING AGENTS

Société Générale de Banque S.A. Montagne du Parc 3 B-1000 Brussels

Crédit Lyonnais

5, rue Grétry F-75002 Paris

By: Société de Banque Suisse Luxembourg S.A. for and on behalf of Petroleos Mexicanos

surrender of the said Bonds at the offices of the following Paying Agen

26th June, 1987.

redeemed shall cease to accrue.

Westdeutsche Landesbank Girozentrale

Herzogstrasse 15 D-4000 Dússeidorf

Citibank N.A.

7 Hanover Square New York City, N.Y. 10004

Explaura poised for Newfoundland venture

Laying a foundation

to meet an immovable object next month—when the public's enthusiasm for new issues runs up against an offer for sale from as sector that has a dismally uninspiring record — USM greenfield ventures.

Not that greenfield is a particularly that greenfield is a par-

ticularly apt term to describe Explaura Holdings, which has literally, if not metaphorically, rock-solid prospects—an esti-mated 1.2 billion tons of limestone to be precise, waiting to be quarried off the west coast of Newfoundland.

Explaura has undergone a series of incarnations over the last 15 years, including that of a tea producer in Sri Lanka and

a tea producer in Sri Lanka and a Spanish gold explorer, but its recent history dates back to when Newfoundland Resources & Mining reversed into the company in December 1985.

NRM which, as Newfoundland Colonisation and Mining, was incorporated nearly 100 years ago, had a long-standing interest in the quarry at Lower in the quarry at Lower interest in the quarry at Lower Cove Bay. But it was only in May this year that it received permission from the Canadian

permission from the Canadian government to exploit the site.

Under the offer, the company plans to raise around £5m to fund the cost of constructing an open pit quarry, together with a processing plant and a shiploading facility. The rest of the funding will be provided by a C\$13m (£6m) secured loan from the Canadian government.

Explaura believes that because the limestone, which is cause the limestone, which is widely used in construction projects, will be transported via sea rather than land, it will be

sea rather than laint, it will be able to supply a whole range of customers on the eastern American seaboard and offer very competitive prices.

As a business project, it all seems very plausible, but as a stock market flotation, it is a succh more tricks proposition.

a much more tricky proposition.

How does one put a price on
the shares? The company has
no track record, or at least no
record relating to the Newfoundland project. Those figures
that it has produced, which re-

with limestone

BY PHILIP COGGAN

AN IRRESISTIBLE force is due late to its old interests, are required its second refinancing

Nor can the company make a forecast about future earnings — profits will not flow from Newfoundland till 1989. So the share price cannot be tied to a price/earnings ratio, historic or prospective.

But nesketh about types and the state about types with high hopes which ended in liquidation.

Given past disappointments, the price about types and the state about types and the state about types are two start-ups with high hopes which ended in liquidation.

Given past disappointments, the price about types are two start-ups with high hopes which ended in liquidation.

Given past disappointments, the price about types are two start-ups with high hopes which ended in liquidation.

Given past disappointments, the price about types are two start-ups with high hopes which ended in liquidation. or prospective.

Placing an asset value on the company is just as difficult. What value can one put on 1.2bn tons of limestone, which will be mined at a rate of 4m tons a year starting in two years'

By estimating future cash flows and discounting them back at 12 per cent per annum, Robertson and Associates, part

'As a business project, it all seems very plausible, but as a stock market flotation, it is a more tricky proposition'

Ansbacher and CGS Securities

Bang, international equity days, who are bringing Explaura to the idea of a Canadian company joining the London marthe generally unhappy record of ket may not seem so bizarre. the market are exacerbated by the generally unhappy record of USM greenfield companies.

Nimslo International, the 3-D directors, led by Mr David Finch, the chairman, and inthe market in 1981, only struggled into profit for the first time last year and that was with the help of an exceptional item.

The same of the USM shell company Property Trust, are not selling the USM shell company Property Trust, are not selling the USM shell company Property Trust, are not selling the USM shell company Property Trust, are not selling the USM shell company
Nor can the company make a forecast about future earnings — profits will not flow flow.

need to be conservative, and indications are it will be given a market value of between £25-£30m (below Robertson's lower estimates) with a share price set at 25-30p, compared with the 43p at which the shares have been trading under Rule 535(5), the Stock Exchange's forum for exploration stocks.

tion stocks.

The USM's upper limit for placings is £5m, but the company could have adjusted the figures to take it below the limit. The fact that it did not, and chose instead an offer for sale indicates a hope that the public will be as enthusiastic as they were about the USM's only other offer this year, Sock

Will the issue appeal? Ex-plaura is a more than usually speculative investment and as an overseas company, it could also be subject to the "cookie factor" which provoked a dismal response to the offer for group, put a value on the pro-

ject of C564m (£30m). But changing the assumptions to 8m tons a year and an 8 per cent discount rate and the value could be as much as C\$124m (£57m).

The problems of Henry Archaeler and CCS Securities Rang international enuity days

Bio-Isolates, the company though the upside potential which produces protein from cheese whey has made repeated losses since it came to the market in 1982, and only recently stone.

WEEKEND FT

For information on advertising on the BOOKS PAGE CONTACT SUE MATHIESON on **61-489 0033**

Placing by STRAUSS, TURNBULL & CO. LIMITED of 530,000 Ordinary shares of 5p each at 120p per share

Authorised

SHARE CAPITAL Issued and to be

issued fully paid £112,500 in Ordinary shares of 5p each

The Company specialises in the provision on a contract basis of computer systems and programming staff, and software engineers, for projects in the United Kingdom and Europe, mainly for leading national and international

Application has been made to the Council of The Stock Exchange for the Ordinary shares of COMAC GROUP PLC to be traded on the Third Market. It is emphasised that no application has been made for these securities to be admitted to the Official List or to be dealt in on the Unlisted Securities Market.

Particulars relating to the Company are available in the Extel Statistical Services and copies of the prospectus may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 13th July, 1987 from: STRAUSS, TURNBULL & CO. LIMITED,

Moorgate Place, London EC2R 6HR. Transactions in the Ordinary shares of the Company will be effected in accordance with the rules and regulations governing the Third Market. This investment may carry a high degree of risk.

This announcement appears as a matter of record only.



Trusthouse Forte Inc.

\$153,850,000

Sale/Leaseback of **Certain Hotel Properties**

Series A Notes

Société Générale

The Dai-Ichi Kangyo Bank, Ltd.

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Series B, C & D Notes

Lead Managers DL America Corporation

Tokyo Leasing (U.S.A.) Inc.

Japan Leasing (U.K.) Limited Central Leasing (U.S.A.), Inc.

Fair Leasing & Trading, Inc. Showa Leasing (U.S.A.), Inc.

Chase Manhattan Capital Markets Corporation arranged the private placement of the debt participations and arranged the purchase of the equity. Hambro Linsandro Limited in conjunction with Hambros Bank Limited acted as financial advisor to Trusthouse Forte Inc.

Chase Manhattan **Capital Markets Corporation** April 1987

Hambro Linsandro Limited





Statement of Income	for the period April 1, 1986 to March 31, 1987) in Millions of Yen	Consolic (Year ended			3,373	3,307	(V Brition)
Net sales	A 400 F00						3,000
Income before taxes an interests	d minority	2,40	2,707			Franco	2,500
Income taxes							2,000
Earnings per share	11.86 (in Yen)	1983	1984	1965	1986	1987	
Balance Sheet			;	· - (9A)	arch 31, 19	987) in Mili	ons of Yer
A		1 :- 1-1121	d 6	بعاجمت	لمسمادات	East of the	

Cash and time deposits......372,417 Notes and accounts receivable. ..671.854 ...536.583

of Yen Liabilities and Shareholders' Equity Bank loans and current portion of long-term debt... Notes and accounts payable, trade... Other current liabilities. Long-term liabilities .. Minority interest... .127.650

Shareholders' equity..... Total Habilities and shareholders' equity......3,284,101

TOSHIBA

..388.892

..744,410

..569,945

3,284,101

lishing this Survey on LIGHT TRUCKS MONDAY JULY 12 1987 For full details, contact:

Other current assets

Property, plant and equipment....

COLIN DAVIES on 01-248 8000 ext 3240 FINANCIAL TIMES BURDPES BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor



U.S.\$50,000,000 Hapoalim International N.V.

Guaranteed Floating Rate Notes 1988

For the six months 30th June 1987 to 30th December 1987 the Notes will carry an interest rate of 7½ per annum Coupon Value US\$387.60 Listed on the Stock Exchange, London

BUSINESS IN THE COMMUNITY

ing this survey on FRIDAY JULY 17 1987 For full details contact: ANDREW WOOD on 01-248 5116

FINANCIAL TIMES ELROPES BUSINESS NEWSPAPER

Banco di Roma U.S. \$150,000,000 Floating Rate Depositary Receipts due 1992

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 7.2875 per cent for the period 30th june, 1987 to 3ist july, 1987, interest payable on 3ist july, 1987 will amount to US\$62.75 per US\$10,000 Deposit and US\$1,568.84 per US\$250,000 Deposit July, 1987 US\$62.75 Agent Bank: Morgan Guaranty Trust Company of New York

29 June 1987 THE CHASE MANHATTAN BANK, N.A. LONDON, AGENT BANK

African Development Bank

U\$\$100,000,000

Subordinated Floating Rate Notes 1996

In accordance with the terms and conditions of the Notes, notice is hereby given, that for the interest period June 29, 1987 to December 29, 1987 the Notes will carry an interest rate of 71/2 per cent per annum for 183 days. The amount payable per US\$10,000 nominal amount will be US\$381.25,

•

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Share Capital Issued and being issued

fully paid Ordinary Shares of 25p each

Placing by

Rowe & Pitman Ltd. of 500,000 Ordinary Shares of 25p each at 200p per share

Primadona PLC is an investment trust with a wide geographical spread of investments. The prime object of its investment policy is capital appreciation.

It is expected that dealings will commence on 2nd July, 1987. Listing particulars relating to the Company are available in the statistical services of Extel Statistical Services Limited. Copies of the Listing Particulars may be obtained during usual business hours up to 1st July, 1987 from the Company Announcements Office, The Stock Exchange and on any weekslay (Sahardays and public holidays excepted) up to and including 13th July, 1987 from:

Rowe & Pitman Ltd. 1 Finsbury Avenue London EC2M 2PA

£1,250,000

Primadona PLC 28 Ely Place London EC1N 6RL

29th June, 1987

FINANCIAL TIMES STOCK INDICES

	2 991								l	
	june 26	June 25	Jutte 24	June 23	June 22	June 19	High	Low_	Since Cor High	Low
	 	- 	91.07	90.55	90.59	91.16	93.32	84.49	127.4	49.18
Government Secs	1	 		97.91	98.03	98.50	99.12	90.23	150.4	50.53
Fixed Interest	1790.7	1772.5		1751.6	1737.0	1758.0	1801.7	1320.2	1801.7	49.4
Ordinary	276.2	375.9	373.6			390.1	485.0	288.2	734.7	43.5
Gold Mines	3/02	1143.83	1145.57	1136.17	1127.96	1137.25	1158.35	835.48	1158.35	61_92
FT-Act All Share	2291.3	2277.2	2294.0	2265.5	2244.6	2266.1	2320.4	1674.5	2320.4	986.9
	1 7241.7	. ,,,,,,,								

27th May, 1987

New issue

22nd June, 1987



A/S EKSPORTFINANS

(Forretningsbankenes Finansierings- og Eksportkredittinstitutt) (Incorporated in the Kingdom of Norway with limited liability)

U.S.\$100,000,000

9 per cent. Notes due 1990 with 100,000 Gold Warrants

Issue Price 113.18 per cent.

Union Bank of Switzerland (Securities) Limited

Banque Indosuez

Chemical Bank International Group

Crédit Commercial de France

Shearson Lehman Brothers International

Banque Paribas Capital Markets Limited

Chase Investment Bank

Compagnie de Banque et d'Investissements' CBI DG Bank Deutsche Genossenschaftsbank

Goldman Sachs International Corp.

Leu Securities Limited

Nordfinanz-Bank Zürich (Overseas) Limited

Swiss Volksbank

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of Canada and the United States of America.



Bell Canada Enterprises Inc.

Can. \$300,000,000

10% Series 3 Notes, Due 1992

Can. \$150,000,000, issue price 101% Can. \$150,000,000, issue price 101%%

Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.

Crédit Lyonnais

Dominion Securities Inc. **Hambros Bank Limited** Generale Bank

Dresdner Bank Aktiengesellschaft Merrill Lynch Capital Markets Salomon Brothers International Limited

Schweizerische Bankgeseilschaft (Deutschland) AG

Nomura International Limited Wood Gundy Inc.

Bank America Capital Markets Group **Bankers Trust International Limited** Chase Investment Bank County NatWest Limited Goldman Sachs International Corp. Manufacturers Hansver Limited Orion Royal Bank Limited

The Nikko Securities Co., (Europe) Ltd.

Sumitomo Finance International

Bank of Montreal Capital Markets Limited Banque Bruxelles Lambert S.A. Citicorp Investment Bank Limited Crédit Commercial de France Kleinwert Benson Limited McLeod Young Weir International Limited

Kredietbank International Group Morgan Stanley International Richardson Greenshields of Canada (U.K.) Limited Shearson Lehman Brothers International Smith Barney, Harris Uphana & Co. Incorporated Swiss Bank Corporation International Limited Swiss Volksbank

The Bank of Nova Scotia Group

Commerzbank Aktiengesellschaft

Banque Nationale de Paris

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20th May, 1987

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Toronto Dominion International Limited

Vereins-und Westhank Aktiengesellschaft Swiss Cantonalbanks Yamaichi International (Europe) Limited

This announcement appears as a matter of record only.



1st June, 1987

¥15,000,000,000

Union Bank of Switzerland Finance N.V.

4% per cent. Guaranteed Notes due 1992

unconditionally guaranteed by

Union Bank of Switzerland

Issue Price 101% per cent.

Union Bank of Switzerland (Securities) Limited

Mitsubishi Trust International Limited

Nomura International Limited

Bank of Tokyo International Limited

Daiwa Europe Limited

LTCB International Limited

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Crédit Commercial de France Dresdner Bank Aktiengesellschaft **Credit Suisse First Boston Limited**

Goldman Sachs International Corp.

Hill Samuel & Co. Limited

IBJ International Limited

Kleinwort Benson Limited

Lloyds Merchant Bank Limited

Mitsubishi Finance International Limited

Mitsui Finance International Limited

Morgan Guaranty Ltd The Nikko Securities Co., (Europe) Ltd.

Swiss Bank Corporation International Limited

Taiyo Kobe International Limited

Tokai International Limited

Yamaichi International (Europe) Limited

Morgan Stanley International

Yasuda Trust Europe Limited

This announcement appears as a matter of record only.

¥40,000,000,000

CHUBU ELECTRIC POWER COMPANY, INCORPORATED

4¾ per cent. Bonds due 1997

Issue Price 101% per cent.

Union Bank of Switzerland (Securities) Limited

Citicorp Investment Bank Limited

IBJ International Limited

Nomura International Limited

Algemene Bank Nederland N.V.

Banque Nationale de Paris

Crédit Lyonnais

Generale Bank

Kleinwort Benson Limited

Merrill Lynch Capital Markets

Morgan Guaranty Ltd

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

Daiwa Europe Limited Mitsui Finance International Limited

Tokai International Limited Bank of Tokyo International Limited

Barclays de Zoete Wedd Limited **Deutsche Bank Capital Markets Limited** Goldman Sachs International Corp. LTCB International Limited

Morgan Greufell & Co. Limited

New Japan Securities Europe Limited Nippon Kangyo Kakumaru (Europe) Limited

Yamaichi International (Europe) Limited

FINANCIAL TIMES



The policy of consensus that President Mubarak has adopted in treading a careful path between competing elements in

society is now being criticised as lacking in assertiveness. He needs to confront some of the sacred cows bedevilling the administration, such as an entrenched bureaucracy, says

Tony Walker

Breathing space for Mubarak

stantial breathing space." While some may dispute the extent to which pressures on Egypt have after several years of often diffibeneen eased after its recent agreement with the International Monetary Fund (IMF) and subsequent rescheduling of part of its foreign debt, there is circumstances are a little better.

Last year was a calamitous one. Oil revenues collapsed, tourism was down, and so, too, were earnings from the Suez

- ` - -

14.74.22

were earnings from the Suez some of its outstanding structu-Canal Egypt, which was having ral problems such as its tangled difficulty in any case paying system of explicit and implicit instalments on its foreign debt subsidies which cost the Gov-

default.

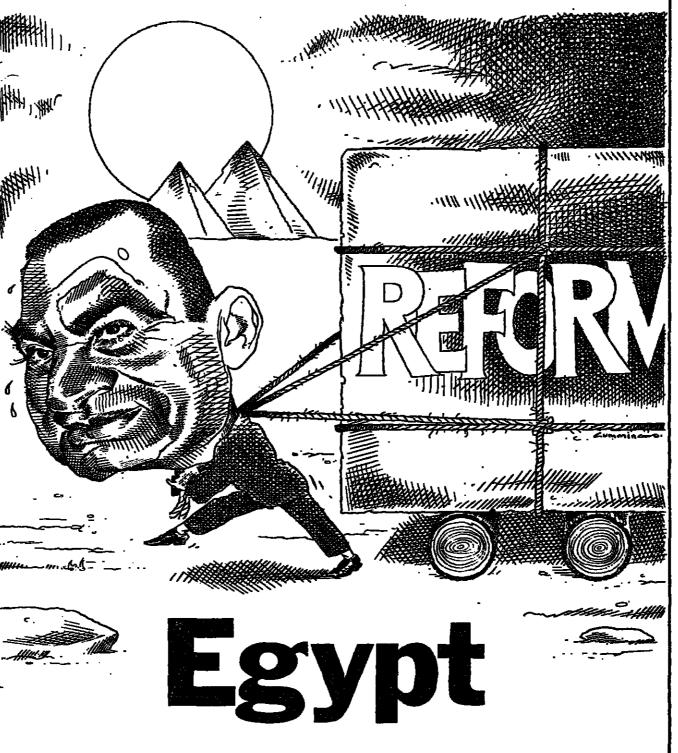
"WE HAVE been given," said rebounded and earnings from the Egyptian official, "a sub-stantial breathing space." While Egypt concluded a crucial

of about US\$40bn, was close to ernment about US\$6bn a year. The successful conclusion to the IMF negotiation appears to pounded by ineffectual political management; the Government purpose into the Administrations, almost came to a halt.

The appointment in November of a new Prime Minister coincided with an apparent improvement in the functioning of the Government and a slight in Egypt's economic for the Section of the Control of the Government in the work of the Government and a slight in Egypt's economic for the Government in the work of the Government of the injected more sense of purpose into the Administration. Most observers believe that it is proving more responsive to Egypt's many problems, including an unwieldy public sector and an over-dependence on imported foodstuffs.

But as always with Egypt, the question is whether a policy of gradualism is appropriate or whether shock-treatment may not be more in order given the

tunes. Oil prices firmed in the not be more in order given the Influential Egyptians argue first quarter of 1987, tourism dimension of the many prob-



lems facing the country, not least of these being the population explosion. President Hosni Mubarak

himself is, by nature, a gradualist. Since assuming the presidency on the assassination of the late Anwar Sadat in 1981, he has steered a careful course between competing elements in society, embracing where possible a policy of consensus.

the beginning of his second itself is an institutional Sadat's blood and lying on the term (there is little doubt he bureaucracy and that this sets floor of a military reviewing

Pressures seem certain to for caution, to be more innovaincrease on the President to tive, but question whether this confront some of the sacred cows of the Egyptian system such as an entrenched and unresponsive bureaucracy. Critics suggest that the Presidency in the commander with a reputation in the fleat of the first and tive, but question whether this left-wing newspaper editor are worrying the authorities and may well reinforce the tendency and the circumstances under the for caution, to be more innovative, but question whether this left-wing newspaper editor are worrying the authorities and may well reinforce the tendency and the circumstances under the for caution, to be more innovative, but question whether this left-wing newspaper editor are worrying the authorities and the circumstances under the for caution, to be more innovative, but question whether this left-wing newspaper editor are worrying the authorities and the circumstances under the force of the sacred is possible given the constraints of background, temperament worrying the authorities and the circumstances under the force of the sacred is possible given the constraints of background, temperament worrying the authorities and the circumstances under the force of the force o

floor of a military reviewing

will be re-elected to a second six-year term (this year) that he should be more assertive; that a plodding approach is no longer appropriate.

People would like Mr Cairo in which gunmen attemport and the commander with a reputation interior minister, the head of for caution, to be more innovation whether this left-give representation to the tone for the rest of the Administration.

Recent violent incidents in compares favourably with those cairo in which gunmen attemport ted to assassinate a former interior minister, the head of prodictable overwhelming victorian whether this left-give representation to the control of the contro Moslem fundamentalists are sentation.

CONTENTS

Foreign investment: \$1bn joint venture deal with General Motors of the US still Economy: Breathing space to draw back,

Energy: Hopes pinned on gas finds to release more oil for export industry: Pressure to increase privatisa-

Ranking & finance: Strains start to show as austerity programme begins Sureaucracy: As difficult to change as the course of the Nile Agriculture: Hopes of higher output through incentives to farmers

Tourism: Widening the horizons for **Water:** Fears of possible drought.

believed to be responsible for two of the incidents: the attacks' strategy of drawing various on the former interior minister political groups into the on the former interior minister political and on the newspaper editor.

arrests, in an effort to find the continuing dilemma of what to culprits, but this scattergun do about fundamentalism, approach merely gave the impression that the police had little idea who was responsible. The traditional security practice in Egypt, but such an approach runs the risk of further of the Administration.

Price increases of 20 per cent to 25 per cent in the past year society.

A continuing debate within ruling circles in Egypt is over the correct response to the challenge of fundamentalism. The

lenge of fundamentalism. The Government has opted for a carrot and stick approach. It encourages on the one hand the mainstream Moslem Brotherhood to participate in the system and on the other confronts religious extremists.

The dilemma for the authorities is how to distinguish between the Islamic mainstream and fringe elements. If there is a continuing pattern of violent incidents such as those we have witnessed recently, the Government will find itself under greater pressure to crack processing to the sape and in the first half of this year. Egypt has, since the meeting of the Islamic conference organisation in Kuwait in January, appeared more assertive. This was seen in recent criticism of Syria over various regional issues such as its support of under greater pressure to crack under greater pressure to crack down on the Islamic tendency with possible negative conse-quences for Egypt's democratic experiment.
A noticeable trend in the past

two years has been the nagging incidence of violence in Cairo and in the cities and towns of Upper Egypt where the religious right is entrenched. These persistent incidents seem to indicate a wider malaise. Mr Mubarak has pinned his hopes of containing a restless

nopes of containing a restless population, including a large number of unemployed graduates, on encouraging a wider participation in the political process and on a free press.

It is a credit to him that newspapers in Egypt operate under fewer restrictions than those in any other Arab country with the possible exception of Lebanon where special circumstances prevail. Egypt's human rights record, while not blameless, compares favourably with those

tory for Mr Mubarak's National Democratic Party, but at the same time opposition groups, including the Moslem Brotherhood, strengthened their repre-

This completed government political groups national debate.

The authorities made hundreds, perhaps thousands of arrests, in an effort to find the continuing dilemma of what to

Price increases of 20 per cent to 25 per cent in the past year are causing unhappiness. Officials claim that the surge in prices has peaked and the rate of increase will start to drop. This remains to be seen. Egyptians, especially the 30 per cent to the per cent to the seen the content to 40 per cent at the seen the content to the seen the seen the content to the seen the content to the seen the content to the seen
Iran in the Gulf war, and in the swift decision to close Palestine Liberation Organisation offices in Egypt after a resolution of the PLO's Algerian summit criticis-

ing the peace treaty with Israel.
The past year has marked
Egypt's further move back
towards the Arab mainstream.
Nervousness among Gulf states
about Iran has encouraged them

to draw closer to Egypt, the pre-dominant Arab military power.

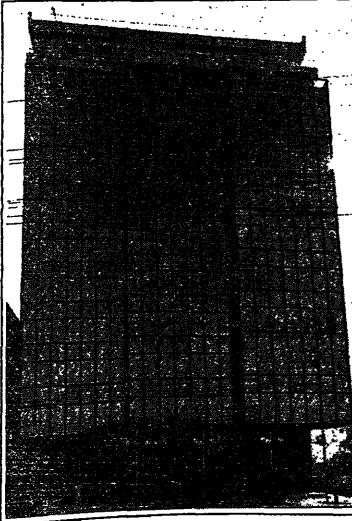
This has had economic benefits. Kuwait and Saudi Ara-bia have provided funds at criti-cal moments in the past 12 months, helping to keep Egypt afloat pending a rescheduling of its foreign debt.

Egypt has been active in the search for a formula that would shift the Middle East peace process from its present stalemate, but has not met with success. Prospects for the next 12 months are for a further period of economic consolidation and little change in the external environ-ment. Egypt has been awarded a breathing space by its friends in, the West, but this is no more than a temporary reprieve.

Further reforms of Egypt's economic structure are necessary if it is to capitalise on recent good fortune. The long haul has only just begun.



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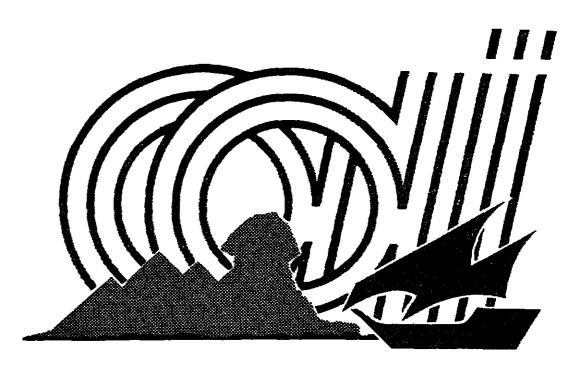
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Foreign investment

US leads in joint venture commitments

to stability.

iniand projects: industrial

Agricultural

Service sector

Financial

Sub total

Sub total

Grand total

general-manager of EDBE, comments somewhat cryptically.

would relate to the weakening of the dollar against the D-Mark

and another the depreciation of the Egyptian pound against the

dollar. GM already has experience of these particular prob-

TWO YEARS after the Egyptian tinuing on a revised, scaled Government chose from a number of suitors General Motors of output of 31,000 small-and down proposal for the initial output of 31,000 small- and medium-sized passenger cars incorporating kits imported from GM's Opel subsidiary in West Germany which will rise to the US, as its prospective part-ner for a major motor assembly joint venture, finalisation of the deal still seems far away.
With the associated satellite

with the associated satellite components plants envisaged, involving possibly over a dozen other companies total investment could reach, it was calculated, as much as 51bn. That would make it not only the most significant economic benefit that the country since I are gained by the country since Law No: 43 of 1974 aimed at stimulating foreign investment was pas-sed but also the biggest single sed but also the biggest single industrial project following the completion of the Soviet-built Helwan Steel and Iron complex in the late 1960s.

Until March 31 1987 a total investment of ££7.35bn (\$5.4bn)

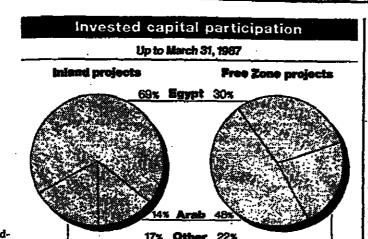
at the old commercial bank rate which applied to investment inflows) had been approved, according to statistics recently released by the General Authority for Investment and Free es. No figures were available for money actually commit-

ted and disburbed.
Some 65 per cent of projects approved were said to be in operation and 53 per cent of inland industrial projects (as opposed to free zones where investment has been largely in storage facilities). The bulk of capital—69 per cent—relating to approvals was Egyption with 14 per cent from other Arab countries and 17 per cent from elsewhere. Foreign capital and capacilla acceptable acceptable was a second to the secon especially associated Western technology has proved an important catalyst in mobilising

domestic savings.

Approval for the General Misr Car Company as the GM project is known was given a year ago. It provides for the establishment of an enterprise owned 30 per cent by GM, 30 per cent by the Nasr Automotive Manufacturing Company, and 40 per cent by other local investors including the Misr Development Bank and the Export Development Bank of Egypt.

A certain reticence surrounds the status of the negotiations. They are understood to be con-



West Germany which will rise to 91,000 in the middle of the next decade.

Part of the overall objective is that the feeder industries would eventually feed GM's loss-mak-ing Engagement operations GM. has recently reaffirmed its commitment to the project and the US Government would clearly of Isuzu kits the company had to

like to see it proceed as part of its general strategy of helping to consolidate a liberal, prosperous economy in Egypt conducive

As a result, despite a proceed as part of its general strategy of helping to consolidate a liberal, prosperous economy in Egypt conducive

As a result, despite a proceed as part of its general strategy of the results. As a result, despite a protected market, it sold only 6,000 of the vehicles, little more than two-thirds of projected sales. Nevertheless, the operation is "The project has economic parameters but also political parameters which could influence decision-making." Mr Abou Backr Zeitnoub, deputy believed to have broken even in the last quarter of 1986.

The company is planning to import bodies from Ikarus of Hungary to fit onto the Isuzu chassis to manufacture small

Notwithstanding the foreign exchange problem talks between Suzuki of Japan and the Modern Motor Company of Cairo on the assembly of pick-up trucks and vans are con-tinuing but have not been final-

6,381 1,966 766

68

1.181

ŧ	ised. B. F. Goodrich, meanwhile,
h.	is in contention with Pirelli to
y	partner the state-owned Trans-
í	port and Engineering Company
9	in the construction of a tyre
_	
-	plant with a capacity of 350,000
	annually.
ē	• •

Joint venture commitments by US companies outnumber those from other industrialised countries — collectively. The number rose from 26 to 30 over the last year and accounted for an investment of \$210m. Although the rate of investment has been declining, several American joint ventures have recently increased their capital and

now exporting. So are American that the 5.8 per cent growth Standard Company (bathroom larget projected in the 19878-ceramics fittings) and Xerox has also expanded.

Initially Chloride of the UK

Initially Chloride of the UK Holdings with its stake in Arab optronics, a joint venture with the Ministry of Defence manufacturing gun site and related in the Egyptian facturing gun site and related equipment, a project with definite potential.

Over the past year the Government has shown a new, if belated, sense of realism in its approach to foreign investors and a determination to cut the entanglement of red tape.

Richard Johns

Economy

A long and hard haul fraught with tension

FINAL AGREEMENT last month with the International Monetary Fund on a stand-by credit and an economic sta-bilisation programme after protracted, tortuous talks has given Egypt essential breathing space to recover from the verge of bankruptcy. The terms of the deal are probably as soft and generous as any ever conceded by the Fund.

by the Fund.

Egypt has much to thank the persuasions of Western creditors—not the least the US—in their anxiety to see political stability maintained and a peace treaty with Israel fortified, the diplomacy of President Hosni Mubarak, and the patient negotiating skills of Mr Atef Sidki's Government.

In the face of a potentially

In the face of a potentially explosive political situation Egypt's sympathisers presum-ably reminded the Fund of a previous austerity package pre scribed in an era of greater eco nomic buoyancy which resulted in the bread riots in January 1977 and a subsequent reneging on commitments to the IMF. Eveready admits to having As it is, achievement to the torreconsidered its investment decision taken in 1980 a couple of times during the early years but since then has twice increased its capacity and is over the past year. Chances are

Initially Chloride of the UK (car batteries) is understood to have faced formidable problems, largely caused by a flood of cheap imports from South Korea, during the early days of its partnership but now seems to have settled the problems. The only other British company to have entered into a point manufacturing investment of significance is United Scientific Holdings with its stake in Arab Reform and recovery along

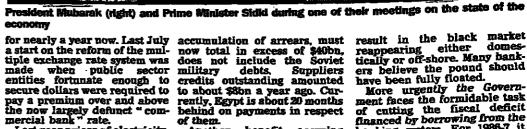
> vernacular.
>
> Egypt missed a golden opportunity to put its house in order in the late 1970s and the first years of this decade when healthy balance of payments surpluses were recorded. Fortunes struck rock bottom last year as net proceeds from oil fell from US\$2.63bn in 1985 to \$656m, tourism sagged as a result of terrorism in the region

> expatriate remittances and ex declined. Only earnings from the other vital service sector, the Suez Canal, held up well increasing to over \$1bn. As it sets about the tors are much more favourable to Egypt. Indications are that the trade balance has improved as imports—wheat, sugar, tea and cooking oil—have become cheaper while the value of the long-staple crop has improved.
>
> The need for a gradualist approach is accepted by the IMF providing that progress—

subject to quarterly review—is made with due precision on two basic objectives relating to deficit financing and monetary growth. It has not, for instance, insisted on any strict schedule for reducing the massive subsidy bill which over the years has eaten up an ever larger proportion of the budget and increasingly distorted the

For their part President Mubarak and his key ministers appear to be convinced of the necessity for profound structu-ral changes of the kind insisted upon by the IMF and World Bank if in the long term there is to be any solution of the country's daunting economic prob-lems, especially the fun-damental one posed by explo-sive population growth and Egypt's limited cultivatable

Indeed, measures associated with the programme have been applied on a piece-meal basis



Last year prices of electricity, petrol, kerosene and public from the Diff accord should be a transport fares were raised while subsidies on some essential goods and ration entitle—at the control of th ments were reduced. The deci-sions were phased in line with small- and medium-scale and the haba haba approach but export-orientated industries their combined effect has been are awaiting disbursement.

of SDR 250m (\$325m) which can be drawn on in 12 equal transches monthly from July 1. It compares with the \$15m originally sought and is, of course, the last one, 45 per cent in grant negligible in itself in relation to form and the rest in loans from the kind of balance of payments support required. But it has cleared the way for the rapidly one-luded accord with the Club concluded accord with the Club of Paris on rescheduling of gov-ernment guaranteed debt.

secret (probably very much less with the aim of eventually phasthan the figure of \$10bn quoted ing it out altogether though no by Egyptian officials) but over time-table has been set for its the coming year will considerably ease the debt burden.

The actual amount related in the secret with the aim of eventually phasthan the secret (probably very much related one is to recommend the secret (probably very much related one is to recommend the secret (probably very much related one is to recommend the secret (probably very much related one is to recommend the secret (probably very much less with the aim of eventually phasthan the figure of \$10bn quoted ing it out altogether though no by Egyptian officials) but over time-table has been set for its total elimination. The other very much related one is to recommend the secret (probably very much less with the aim of eventually phasthan the figure of \$10bn quoted ing it out altogether though no by Egyptian officials) but over total elimination. The other very much related one is to recommend the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to the secret (probably very much related one is to recommend to recommend to recommend to the secret (probably very much related

The agreement—to be final-ised in bilateral negotiations—severely.

The exact limit set remains a consolidates outstanding principle and interest, including closely guarded secret. The IMF delay increments, at end-1986, gave way, however, on its plus what would have fallen in demand for a unification of price increases.

Total investment investment in the 18-month period until, exchange rates within a year time the same been even by the content of the content mid-1988. Repayments are to be and conceded an 18-month spread over 10 years and a five year grace period has seen

Moreover, it is understood inflation. talks \$700m of new finance will become available for 1987. At the same time, Egypt's \$4.6bn military debt to the US is being rescheduled at market interest rates giving effective relief of about \$900m in payments.

Egypt's arms debt to the Soviet Union estimated at \$2bn, on which President Sadat sus-pended payments in 1977, has also been rescheduled on generous terms with obligations to be settled over 25 years with a six-year grace period and, according to press reports, interest waived. That should open the way for the supply of spare parts for Russian military could be a supply of spare parts for Russian military could be supply of spare parts. equipment still in service and the refurbishment of industrial plants built in the 1960s with Moscow's aid.

Moscow's aid.

Despite the relief gained,
Egypt's overall debt still looks
horrendous. Its medium— and
long-term debt, including gov—
ernment-guaranteed loans, had
reached about \$34bn at the end
of the fiscal year 1985-86 (ending

a painful increase in the cost of . The World Bank is understood living at a time of rising inflato be ready to lend at a rate of tion. \$800m.\$Ibn annually though
Agreement with the IMF basically at a commercial rate,
made available a standby credit Egypt is blessed with offers of

One of Egypt's binding commitments to the IMF is to reduce its fiscal deficit from the 15 per rnment guaranteed debt. cent projected in the 19867
The actual amount remains budget to 13 per cent in 1987/8

> d. It also modified its origi nal insistance on interest rates to the level of

In the year up to April it ran at 26 per cent, according to the out-dated and inadequate urban consumer price index. But in practice, the rate is reckoned to be no less than 30 per cent for all but the poorest people sub-sisting largely on subsidised

goods.

The exchange rate reform announced on May 11 is aimed at capturing for the banking system the maximum possible of expatriates' remittances driving the old unofficial market now unequivocally pronounced black—out of business or deep black—out of business or deep under ground. The market rate initially set by a committee of bankers at US\$1 = F£2.165-2.170—will apply to all approved private sector imports and probably about half of pub-lic sector enterprises' require-

June 30). Short-term obligations for hard currency needed for then amounted to \$4.7bn.

Arrears amounted to \$4.3bn. legitimate business travel or education bills abroad may well

reappearing either domes-tically or off-shore. Many bankers believe the pound should have been fully floated.

have been fully floated.

More urgently the Government faces the formidable task of cutting the fiscal deficit financed by borrowing from the banking system. For 1986-7 it was projected at Ef 780m, less than 4 per cent of expenditure. In the past no final accounts showing their extent had been published.

published. In recent years, however actual deficits are believed to have been two to three times higher than those budgeted. They would more or less have been accounted for by direct expenditure on subsidies on essential items which amounted the subsidies of the last the last to E£ 2.8bn in 1984-5, the last year for which an official figure

year for which an official figure is available.

Deficit financing, together with the depreciation of the pound on the free market during the past two years, have been the basic cause of inflation and a major contributor to money supply. In 1986, money supply (M2) increased by 20 per cent following an 18 per cent

rise in 1985. The outline of the budget for 1987-8 recently presented to the National Assembly envisages per cent increase on the level projected for 1986-7. The allocation for salaries of state employees has been raised by E£ 700m, or 18 per cent, to E£ 4.5bn to compensate for

Total investment appropriations have been cut by nearly 22 sentation Dr Atef Sidki, the Prime Minister, suggested that more efficient tax could yield an extra E£ 6.40n-7.5bn. The Government is taking care that remedial action does not hurt the 30-40 per cent of the population close to the poverty line. But the middle classes look as though they will be further

Austerity involved in the stabilisation programme seems bound to affect implementation of the 1987/8-1991-2 development plan—which has yet to be published—and the provision of job opportunities for around 400,000 people each year seek-ing to join a labour force of 12m,

many of whom are grossly under-employed The Government is looking to the private sector for E£ 18m, 38 per cent of total investment projected at E£ 46.5bn and nearly twice as much as the amount expected from it in the previous five years. Certainly, the private sector has the previous for the passive of the left. sector has the resources to fulfil such a role and much has been done to improve the environment for it.

But the Government may be over-optimistic in its expecta-tion that savings can be mobilised on the scale required. Richard Johns



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AL HODA MISR

Projects approved

To March 31, 1987, £E(million)

267

1,624

Source: General Authority for Investment and Free Zones.

2,404 1,746 351 649 1,275

492 291 87

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EGYPT 3

Energy

Important oil province found in **Western Desert**

RECENTLY REVISED esti-development of gas fields. An mates of Egypt's proven oil important step was the initiallreserves and its rate of domestic consumption indicate that it will remain a net exporter until (a subsidiary of Royal Dutch the late 1000e This is a slightly the 1000e This is a slightly the 1000e This is a slightly the late 1990s. This is a slightly more promising forecast than those being made two years ago when the rate of increase in domestic consumption exceeded 10 per cent annually. But realisation that in about 10 years Egypt, on the hasis of

But realisation that in about 10 years Egypt, on the basis of proven oil reserves of about 4.2bn barrels and expected-modest additions to that figure annually, will have little surgicular for expect is putting a present is regarded as a model for other gas contracts.

resources."
"To the extent of its availability, natural gas can substitute in domestic consumption for other Nile delta.

forms of energy, particularly fuel oil, kerosene and LPG," the report said. for domestic needs the more official Egyptian view that gas Egypt's petroleum—in the form was a resource that should be of crude and refined products

can be used to earn or save tions.

Indeed, all concession agreeforeign exchange."

Indeed, all concession agree—
Egypt's gas reserves are estiments before 1980 included a discovered coincidentally while mated at about 10 trillion cubic standard article 27 that if gas drilling for oil," he wrote. "... if feet (TCF). A study compiled by a foreign consultant and quoted by the Word Bank estimated that an additional 20 TCF could

be found over the next 20 years, giving an ultimate reserve of 30 TCF. Egypt's daily production of gas is small: 575m standard eubic feet mainly from its Abu Madi, Abu Qir and Abu Gharadiq fields, and from the Gulf of ing exploration companies for national pipeline grid. It cur-Suez gathering scheme. It expenditures related to natural rently has about 2,000 equals 97,868 barrels of oil per

roleum Corporation (EGPC) is U\$\$250m, constructing a 270 able of transferring production now actively encouraging from its bed-3 gas field to Elfor gas and to participate in the formula from the industrial area of (1987-88—1991-92) commits

plus for export is putting a pre- model for other gas contracts. mium on the speedy development of Egypt's gas resources as a domestic substitute for oil.

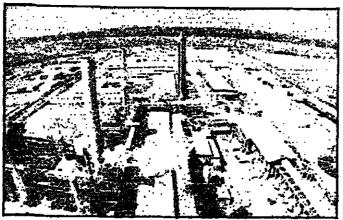
EGPC is also negotiating gas agreements with Amoco for the development of its West Qarun Desert, 180 The World Bank, in a recent field in the Western Desert, 180 study of the Egyptian economy, kilometres west of Cairo.

urged that a "major effort" be undertaken to capitalise on ding is with a consortium Egypt's "considerable and highly valuable natural gas pany (IEOC), a subsidiary of ENI pany (IEOC), a subsidiary of ENI urged that a "major effort" be of Italy which has a concession with British Petroleum and Marathon Oil of the US in the

The Shell Winning agreement took about two years to com-plete. Shell had to overcome a The more natural gas is used major barrier which was the developed by national organisa-

was discovered and not oil companies have with regard exported, it became totally the to gas the equivalent to the pre-Government's property. This sent incentive in exploring for provided no incentive for oil, increasing Egypt's gas proforeign companies either to duction by 400 per cent or 500 or explore for gas or to develop gas found coincidentally while undoubtedly a very valid exploring for oil. In 1980, the first "gas clause"

gas discoveries, but it provided kilometres for gas. EGPC estiday worth annually about little incentive for companies to used that a further 1,700 US\$600m at today's oil prices. The Egyptian General Pet-Shell plans to invest complete a national grid cap-



('000 me Natural Gas	tric tons) 1986	1985
Abu Madi	1,655	1,267
Abu al-Gharadiq/ Badr al-Din	843	921
Abu Qir	1,211	979
Gulf of Suez	564	558
Sinai	33	8
Total	4,306	3.733

Alexandria. It expects to be sup-plying gas late in 1990 at the rate of 80m cubic feet rising in two years to 150m cf.

Mr Salah Hafez, a vice chairman of EGPC in charge of agree-ments and exploration, said it was hoped that oil companies would regard the Shell agree-ment as a suitable model. He said that a gas sales agreement still required some

Mr Tarek Heggy, deputy general manager of Shell Winning, noted in an article in EGPC's house magazine that quite substantial gas discoveries have been made in spite of there being little incentive for com-panies to explore for gas.

assumption

The World Bank study urged was drawn up which provided a that Egypt commit necessary legal framework for compensatives or extending its investment falls short of requirements and a truly national grid is not in prospect within the plan period. Egypt's oil export revenues

additional resources to exten-

ding the national grid, but this

slumped in 1986 to a net figure of about US\$700m compared with US\$2.6bn the year before. This was attributable to the collapse of the oil market and to a sluggish marketing effort by EGPC. The state oil company was invariably behind the market in posting competitive

The picture has improved considerably this year. Net oil export receipts will exceed US\$1bn.

Egyptian Oil Minister Abdel Hady Qandil said recently that the oil sector planned production this coming fiscal year (July 1987-June 1988) of 44m tons. Egypt's share would be 28m tons and that of foreign partners 16m

An important new development this year was EGPC's approval of new oil production sharing concession agreements covering onshore and offshore acreage in the Gulf of Suez. British Petroleum, Royal ness empire which is far more Dutch Shell, Amoco and IEOC efficient than the rest of public signed agreements for the new sector industry. Gulf of Suez concessions. Attention is now turning to the Western Desert where EGPC will

announce soon production sharing agreements for seven blocs.
The Western Desert is shaping up as a fairly important new province with production year expected to reach 60,000 barrels a day. The Western Desert is still

under-explored. "We believe many small discoveries will be given. with the existence of the pipe-line (from Meleiha south of Mersa Matruh to Hamra 160 kilometres away on Mediterranean coast), and low cost of developing onshore, these factors will be equivalent to making a big discovery in the

industry

Challenge to private sector

family-owned company with a increased from 4 per cent of the turnover of a few million total to 24 per cent in 1982 and stainless steel tableware at a per cent to 32 per cent plant on the road from central The private sector least interesting aspect of the enterprise is the fact that it was established by Mr Mohammed nationalisation programme.

It could be seen as an indomitable example of Egyptian entrepreneurial spirit which was largely stifled or forced into exile by heavy-handed socialism and the domination of the industrial sector by the state. The plant is now run by his state.

The plant is now run by his son,
Mr Osama Awad, a graduate in
economics from Cairo University and in marketing from
Illinois State.

ity in the same line of business once owned by Prestige and purchased in 1981 from Orida of the US after it had taken over the UK company.

Having started with a work-force of 25, Helcometals now employs 150 people and exports 20 per cent of its output. It had secured contracts to supply the big hotel chains established in Egypt-for their requirements in the region as well as the country itself—before its produce became one of 210 items prohibited for export when the

tariff system was reformed and rationalised in August. The Awads do not enjoy a monopoly because they face competition from a plant run by the military industries organisation, a significant business organisation, a significant business organisation, a significant business organism of the monopolism in the same of the significant business organism that the same of the same of the significant business organism that the same of the

sector industry. Helcometals may be fairly exceptional in having started in the early days of Nasserite socialism and survived it. But since the liberalisation of policy in 1974 the response of the private sector to the challenge of satisfying what was until three years ago a rapidly expanding market has not been unimpressive even after taking into account the incentives

Now the private sector has een set the challenge of undertaking main responsibility for achieving an annual growth rate for the sector of 7.2 per cent targeted for the 1987-8/1991-2 five-year plan with the emphasis on small and medium-

Tony Walker World Bank estimated that pri- Nasser era does not have any EDBE's general manager for

pounds producing high quality its share of value added from 17

plant on the road from central. The private sector now impossible to shed surplus Cairo and Heliopolis. Not the accounts for about one-third of labour except through natural output compared with rather less than a quarter in 1974, according to other authoritative Awad, an engineer in 1961, estimates. But the public sector during the darkest days of the under the control of the General Organisation for Industrialisation still predominates heavily in the main processing activities of spinning and weaving, engineering and metallurgy to the extent of more than 75 per

In the first three years of the five year plan just ending, industry grew by nearly 10 per cent annually with a comparable increase in value added. Food processing expanded especially fast — by nearly a The founder runs an old facil- third, Performance was stimu lated by domestic demand, which steadily out-stripped growth in gross domestic product and a considerable degree of import protection — at the expense of industrial exports and distortions particularly in

and distortions, particularly in agro-business development. Over the past few years there has been a progressive marked slowdown primarily because of shortage of foreign exchange. Enterprises generating exports and foreign exchange, which they can use to finance imports of in-puts and raw materials, have fared better.

They include the two large state-owned metallurgical plants — Helwab Iron and Steel and Misr Aluminium - as well as textile companies.

El Nasr Automotive Company, one of the biggest public sector ncerns, has suffered its right to its limited supplies on the local market for hard currency. As it is, capacity of many public the 30 to 50 per cent range.

Egypt's heavily over-manned high-cost state industries made a net profit of only E£126m on a turn-over of E£6.42bn in 1984-5, a rate of less than 2 per cent, the latest year for which statistics are available. Of a total of 117 companies with manpower of just over 600,000 83 made com-bined profits of Ef268m while the rest recorded a loss of E£142m.

The performance was an improvement on the two previous years when there were net losses of Ef98m and EE35m. A scale projects.

Recent and reliable data on large proportion of the public e sector is scant. Last year the sector industry built up in the

HELCOMETALS IS a small, vate industrial investment comparative advantage such as project finance, says: "Egypt is family-owned company with a increased from 4 per cent of the chemicals, metals and transport in a situation whereby the pri-

will be politically and socially investment opportunities. impossible to shed surplus

He is not alone in stre wastage. Nevertheless the Gov-ernment has little choice but to ensure that maximum capacity is achieved, a task bedevilled by poor middle management, low saleries and lack of incentives.

The debt rescheduling agree ment reached with Moscow in March clears the way for refurbishment of heavy industrial plants built with Soviet aid in the 1960s.

The Government appears to have accepted the view that future development should concentrate on industries where 86. Egypt has a comparative advantage, in particular textiles and food processing which have the greatest potential. The Arab Investment Bank, a state-controlled institution, is directing its project identification len-ding policy and equity stakes to potential of ready-made gar-

Dr Nawal el-Tatawi, its invest-ment director, points in particular to the success of one joint venture involving Vesta of France making men's suits and prospects for a quality sports clothes project.

The Development Industry Bank is giving priority to food industry. The Export Develop-ment Bank of Egypt (EDBE), which is owned by the National Investment Bank and the four public sector banks, started operations in 1985 under a dynamic management and by the end of the month should have approved its participation in the financing of up to 16 projects. So far it has disbursed that the statement while about E£2m in investment while financing an increasing proportion of Egypt's non-traditional exports in a drive to capitalise on Egypt's cheap capable labour and geographical posi-

In the private sector, invest-ment banks like Banque Caire Barclays International bave been very active in financing industry. Mr Alex Jablonowski, a joint managing director, says that it has financed over 80 projects and points to a number of cosmetics, packaging, ice cream and dairy products, and oil ser-

Mr Abou Backr Zeitoun,

quipment. vate sector has an excess of For the foreseeable future it liquidity and a shortage of

He is not alone in stressing the need for better project iden-tification and the very radimentary nature of Egypt's capital market. Before 1939 the Cairo Stock Exchange was the sixth largest in the world. Having virtually expired, some life was breathed into it in the late

Bonds in Egyptian pounds and currency, sterling and dollars are traded. But the volume of trading is still small—shares in Egyptian pounds worth only Ec26m changed hands in 1985-

Most enterprises established since 1974 are closed companies whose shares are exchanged privately. Owners of successful concerns have no reason to place shares on the market. A real revival of the stock market would require fundamental changes in civil and corporate projects based as much as possi-ble on locally available raw law, as well as removal of the ? materials and emphasises the per cent maximum ceiling on non-bank debt.

More essentially, despite the mobilisation of private capital for industry the long shadow of Nasserism and uncertainties about the political future are still inhibitive.

For this reason investors have looked for large, quick returns of 25-30 per cent annually. With foreign exchange and falling purchasing power in prospect over the next few years it is difficult to see profits on this scale in the medium-term future even if optimum incentives and protection is provided.

The present plight of some saddled with large dollar debts incurred before the pound's depreciation can hardly act as a stimulant to risktaking at a time of economic stagnation.

Many observers believe that

the best long-term reassurance the Government could give would be to embark on a policy of privatisation, a radical departure which is only ging-erly being considered and would meet political as well as bureaucratic opposition.

In the medium-term, however, even such a radical confidence building move would bardly be enough in itself to mobilise the private saving required for industrial development on the

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Self-sufficiency Ratios of Key Foods

6.857

2,028

65

131

1,929

3,900

1,330

Veg OH

282

161

110

396

14

(000 metric tons)

5,928

1,330

1,755

635

175

282

EGYPTS VARIEGATED and somewhat fragmented banking sector has continued to show remarkable stability in the face of the country's economic stagnation over the past critical

The system underwent an extraordinary expansion in the boom days from 1974 to 1982 and now 41 commercial banks are licensed to take deposits where there were only four large stateowned institutions in the field a decade and a half ago. So far they have weathered the recession in the region and the fall in oil prices with rather greater aplomb and profitability than many in the Gulf which have suffered far more serious problems of bad debt

But the sector has come under increasing strains and these are likely to become more acute in the short-term as the austerity programme agreed with the International Monetary Fund (IMF) starts to bite harder.

Despite the economic stagna-. tion the sector enjoyed a remarkable increase in deposits last year of 41 per cent to total EC21.69bn at end 1986. That rise far exceeded the real rate of inflation.

The growth of outstanding credit was more or less in line with it with credit up 27 per cent to E£12.88bn. Most banks, however, announced reduced profits and had made more provision for bad debt.

Results for the current fiscal year (ending June 30) are likely to reflect a further squeeze. In principle, bankers have wel-comed the reform of the exchange rate system, the controlled flotation of the pound and the crackdown on the black market aimed at channelling as big a proportion as possible of worker's remittances and tourist spending into the banking

They paid tribute to the BUREAUCRACY in Egypt, perhaps more than most places, is a synonym for waste, inefficiency and obduracy. Everyone complains about it from the President down.

Until recently, little was done to reform the bureaucracy itself and, allied to it, public sector industry in spite of volumes of critical reports by international agencies and by the Egyptian authorities.

A cumbersome administrative structure weighs heavily on attempts at even minimal changes to the Egyptian system of government. Reforming the bureaucracy was assumed to be as difficult as changing the course of the Nile.

The Government has now embarked on a reform prog-ramme that appears better tion, and from being an instru-funded and more specifically directed than past efforts. Its aim is twofold: to improve the quality of service to the public and to produce better trained and motivated managers in both the bureaucracy and public sec-

ried out under the auspices of mise friction." Dr Atef Ebeid, Minister of His group, known as the Cen-Cabinet Affairs, is probably just as important to Egypt's develop-agement Development (CAMD), able obstacles in the way of both

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Banking and finance

Austerity causes strains

realistic buy-sell rate of Ef2.165-Ef2.170 to the dollar set by the committee made up of representatives of eight banks which meets daily. Subsequently it has been adjusted to take into account what has been a very thin black market after the detention of 200 small money changers and the admonition given to half a dozen or so " fat cat " operators.

The banks can now freely trade foreign exchange and lend to finance a range of permitted imports of goods and services. What was technically a black market but a tolerated one has for the time being been outlawed. But so far there has been little sign of a surge of dollars into the banking system.

seems that Egyptians It seems that Egyptians abroad and residents at home with foreign currency in cash are waiting to see whether a black market offering a better rate of return will re-emerge. "It looks as if it will be a war of nerves lasting perhaps several comments one general manager recalling a more limited, less realistic and unsuccessful attempt early in 1985 to attract sufficient dollars in the commercial banks' poo to cover approved letters of credit.

In the banking community the fear is voiced that the measures, unless revised, will stimulate a significant resumption of un-authorised dealings—whatever the risks-because they do not make provision for some important requirements-notably the

above all the Hajj pilgrimage to gratifying the widespread addiction to hashish.

There is also a clear danger that a more substantial portion of Egyptians' earnings overseas will be diverted elswhere by the controversial Islamic invest-ment companies through their agents in the Gulf to finance speculative dealings abroad.

Immediately, however, the most serious criticism of the reform is the lack of any allowance for borrowers struggling to repay and service old dollar loans amounting to an estimated \$2bn. They have been severely hit by the depreciation of the Egyptian pound and conof the Egyptian pound and con-stitute the major headache for the banks, especially the foreign branches licensed only to deal in foreign currencies. Under the regulations, credit in foreign currency can only be made available for new loans. At the same time, the banks were faced in April with the

instruction that the increase in lending should be limited to only 25 per cent over the end-1984 level — an increment many of them had already exceeded.

The squeeze on lending has been considerably tightened by been considerably tightened by the requirement that letters of credit now must be 100 per cent covered, 35 per cent on application and with the balance on opening them.

In a related move banks were required to swap 3 per cent of their foreign currency in exchange for pounds from the

costs of education abroad and central banks thus increasing is trying to divest itself of its 40 its pool of dollars which Mecca. Very much less legiti-mately there is the question of commodities. As it is, bankers commodities. As it is, bankers express reservations about advancing any hard currency loans to clients whose revenue is in pounds.

Foreign exchange deposits of the private sector totalling about \$10bn remain largely unexploited in Egypt itself for this reason. Banks are required to deposit 15 per cent of their foreign exchange deposits with the central bank and earn Libor rates of interest from them. But they received nothing from the 25 per cent of non-term pound deposits which they have to place with the monetary authority. Meanwhile, the instruction

dating back to 1981 not to lend more than 65 per cent of deposits remains in force. For foreign branches trade financing has long ceased to be a lucrative business and project. lending is generally a much too risky activity to contemplate. Pressure on the central bank to permit them to deal in Egyptian pounds for a unification of the

system has been of no avail Their difficulties were highlighted earlier this year by Lloyds' decision to close its Alexandria office and Cairo late last year and now heads the retail branch. At the same time Credit Suisse has been frus-trated in its effort to form a joint

venture.
This month, Chase Manhattan reached agreement on the sale of its 49 per cent joint venture with the National Bank of Egypt to its partner Bank of America

margin between interest interest interest interest interest in a reage of the saving in a range of 5 to 13 per ce (££100,000 over 10 years) Dr

per cent share in Misr American International Bank. In terms of assets the scene isstill dominated by the big four public sector banks—National Bank of Egypt, Banque du Caire, Banque Misr and Bank of Alex-andria—which currently share requirements and tax. Islamic investment as much as three quarters of the market and handle most of the

gests that Egypt is over-banked. Among the new creations of the "open door" policy to have made a particular mark are Chase National Bank, Delta Bank, Nile Bank and Suez Canal Bank. There is some confusion about the extent of bad debt, a definition in Egypt which does not include, once they are rol-led over or rescheduled, what would elsewhere be called non-

business of the public sector entities. No one, however, sug-

performing loans. The central bank says that provisions made by various banks in respect of bad debt are in the I to 3 per cent range. In practice, though, Egyptian banks do not make provisions until they have obtained a court order giving them tax exemption in respect of them.

Dr Ali Negm, who was gov-ernor of the central bank until Arab International Bank, estimates bad debt at 5 per cent. Commercial banks have been cushioned by a comfortable margin between interest rates paid for deposits and those charged for credit. With savings

Negm calculates the average at 11 per cent, though some foreign bankers reckon it is much

Islamic banking has taken root to the extent that some ordinary commercial houses like Banque Misr have opened branches operating according to its principles. The most successful has been

the Feisal Islamic Bank of Egypt In addition the Islamic International Bank has emerged as a significant force. The authorities have not discouraged their development but they have received no con-cessions in terms of reserve

panies are a different and disturbing phenomenon operating outside the control of the cen-tral bank. Higher dividends paid by them of 20 per cent or more generated partly or largely by speculation in gold, foreign exchange and commod ities may have attracted 15-20 per cent of total deposits. But the savers—for the most part people of relatively low income—receive no protection. Commercial bankers are sceptical whether the Islamic investment companies can sus-

tain such higher earnings, ever suggesting that some of the results have been achieved by "pyramiding." It is illegal for these institutions to take deposits and participants
"equity" could be regarded as

the equivalent
Last year a government
decree banned the creation of
new ventures of the kind but so far has been diffident about reg-

ulating the existing ones. Two of them, the Al Helal and Sherif groups, have been active in investment money in productive sectors in Egypt. But the others are clearly not benefiting may be exposing savings to great risk. the economic development and

Richard Johns

Agriculture Farmers given extra incentives

PERHAPS NO other sector of food production such as the Egyptian economy has performed quite as disappointingly as agriculture in the past decade. Short-sighted pricing and quota policies have contributed to poor results.

That may be changing with the

Between 1986 and 1988, Dr Ketr said, the Government would move towards deregulation in agriculture. In this period prices for governmentprocured export commodities such as rice and cotton will be brought into line with those available on the world market. At the same time, the Government was introducing a parallel policy of reducing subsidies on inputs such as fertilisers and machinery.

The Government's immediate aim, he said, is to stop the " food gap" widening. Egypt imports more than 50 per cent of food-stuffs. Its wheat imports total about 75 per cent of require-

According to Dr Ketr, Egypt's agricultural production regisagricultural production regis-tered a 2.9 per cent growth rate last year compared with a population increase of about 2.7 per cent. He attributed the improved performance in 1986 (average agricultural growth rates value added in the past five years have been about 2,5 per cent) to better utilisation of existing resources and the

development of new forms of

Production

22

66

100

48

52

63

that may be changing with the ntroduction last year of a new controduction last year of a new control of the new co introduction last year of a new three-year World Bank sponsored reform plan that aims to both in its contribution to GDP sored reform plan that aims to increase incentives to farmers and to remove gradually quota restrictions.

Dr Hassan Ketr, an undersecretary in the agriculture ministry, said that quotas had been abolished except for cotton, sugar and 50 per cent of ce. Prices are gradually being de-controlled.

both in its contribution to GDP and in employment, its sluggish are formance in the face of a repidly increasing population has resulted in the agricultural trade balance moving from a surplus of about \$300m in the mid-1970s into a deficit of about ton, sugar and 50 per cent of USS3bn by the early 1980s.

Dr Ketr said that the Government was giving particular

ment was giving particular attention to increasing sugar production to reduce Egypt's dependence on imports. In 1986 it imported about half its requirements of 1.75m tonnes.

Egypt's average production was 40 tons per feddan (one feddan equals 1.04 acres or 0.43 hectare), but had fallen to 33 tons a feddan due to crop diseases. It was reasonable, Dr Ketr

said, to expect a rise in productivity.

In the five year plan 1987-88—1991-92, the Government, Dr Ketre said, intended to intergrant less in agriculture give fere less in agriculture, give more emphasis to private sector investment which was expected to triple that of the previous plan, and enhance opportuni-ties for people to buy and develop new land.

Land reclamation is a priority of the new plan. The Govern-ment hopes that disappointing results in developing new desert land for agriculture will be reversed, utilising experience gained. About 1m feddans has been reclaimed in the past 20 years, but only about half has

Continued on page 5

بتك الستفاظ الحزني

Red tape blunts the scissors

Bureaucracy is as difficult to change as the course of the Nile

Dr Ebeid has formed new units to give a push to bureaucratic reform and to provide training for managers of public sector industry which was identified by a recent report of an outside consultant to his department as being in urgent need of improving productivity, freeing itself as much as possible from bureaucracy and inherited structures, from constant government interven-

Dr Khaled Sherif, an undersecretary in Dr Ebeid's department, said that a primary task of bureaucratic reforms was to improve relations between the Government and public. There

as important to Egypt's develop-ment as are attempts to reduce is establishing pilot programthe birthrate. There are formid- mes to reform offices dealing directly with the public such as those issuing driving licences

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Oil has been shipped via SUMED from all major sources in the Arabian Gulf, although

Oil has been shipped via SUMED from all major sources in the Arabian Guin, authorgin Saudi Arabia has been the main country of origin.

The advantages of using SUMED to transport oil to ports in the Mediterranean have been evident right from its inauguration. However, users have quickly realised that SUMED is also cost-effective over longer routes to markets in Northern Europe and the US. An increasing proportion of SUMED traffic is ultimately destined for these areas.

Moving crude oil along a pipeline is not a straightforward excercise. Since 1977, SUMED has dealt successfully with 22 different types of crude oil, each with a distinct viscosity and capillary ranging from very heavy to very light oils. Despite the large number of crude oils at any one time within the system, commingling and contamination are

The terminal facilities at Ain Sukhna and Sidi Kerir have proved sufficiently flexible to accommodate all vessel sizes from the smallest (37,000 DWT in 1978) to an ultra large crude oil tanker of 424,000 DWT which moored at Ain Sukhna in 1982. Even tankers of up to 500,000 DWT can be accommodated.

Origin and Destination of Oil Passing through SUMED

Versatility in the Handling of Crude Oils

and the post office.

Dr Sherif has made a modest start. His section has estab-lished a model post office and is in the process of streamlining car registration procedures. For Egyptian motorists, registering a car is something of a night-mare. One of the problems, apart from the many seemingly unnecessary procedures, is that information is kept in dusty files that often prove difficult to

Dr Sherif expects that within two years traffic offices will be computerised and that cumbersome procedures will be a thing of the past. He explained that the reason reforms were not being introduced more quickly was because "people here don't believe in outbursts of going out and fixing something. A second major target of

bureaucratic reform is the mugamma, meaning "the complex." Egypt's bureaucratic headquarters on Cairo's central Tahrir Square where thousands of officials deal with passports.

birth certificates and other documents in a slow-moving enterprises according to commanner that appears guaranteed to create maximum friction with the public.

One of the first project is a project in the public of the public

and to create the necessary skills for the introduction of automation in the bureaucracy. The Government is providing Ef6m US\$2.76m to help establish the college. US aid has allocated US\$11m for the task.
It will offer residential prog-

rammes at an establishment at enterprises have been losing Ismalia on the Suez Canal, east out to an aggressive private of Cairo, and is expected to sector. open in early 1988.

a "management development vidual management will be programme" which will offer given more flexibility, more courses for top managers in capital and where necessary, such skills as marketing, finance and accounting. US aid has aldready contributed US\$4m and is proposing to contribute a further US\$16m.

Apart from improving services to the public, the Government is also anxious to intro-duce greater efficiencies in public sector industry which made an E£230m loss last year. One reason for the losses, according to Dr Sherif, is inertia. Managers are trapped in a

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DEPOSITS

One of Dr Sherif's projects is to create a new civil service college to help train managers management skills."

The Government has selected the food processing sector as the first candidate for a pilot programme to improve management techniques. This is considered a vital sector because it directly affects the public and is one where publicly-owned

Three public sector food pro-Another measure towards cessing companies have been improving the quality of the selected for pilot decentralisa-bureaucracy is the setting up of tion programmes where indiexisting management will be replaced.

Companies selected for this pilot programme include Bisco Misr which manufactures snack foods and is regarded as a successful public sector enter-prise, Misrdairy which is failing badly in the face of private sector competition and the El Nasr bottling company (bottlers of Coca Cola) which is encounter-

ing difficulties.
The United Nations is also bureacratic straitjacket which weighing in with assistance to

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improve the functioning of Egypt's bureaucracy. It is con-tributing US\$6m to help provide minister's offices with up to date information retrieval

Dr Sherif said one of the bureaucracy's main problems, apart from overmanning, was the basis on which promotions were granted. These were judged almost exclusively on seniority.

While Egypt's government departments have a rating system of individual performan assessments are virtually meaningless because of a tendency of superiors to give those under them the highest rating whatever their level of

Thus in 1986, the central agency for organisation and administration, which has the task of helping to administer the whole bureaucracy, rated 92 per cent of its staff in the 'excel-

lent' category.
Dr Atef Ebeid wants to introduce new criteria for promotion to push forward younger manapetitive environment.

An enemy of bureaucratic reform is the huge numbers of ment under a government com-mitment that it will provide jobs for all those graduating from university. But increasingly Egyptians

inside and outside the bureaucracy are questioning whether the country can afford the burden of a bloated civil service that is often obstructive and is certainly a drain on

Tony Walker

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Tourism

Currency fall brings surge of visitors

"I DO believe that tourism is one of the few industries where Egypt enjoys a comparative

Egypt enjoys a comparative advantage. It has not been properly tested in the past."

Dr Fouad Sultan, Minister of Tourism and Civil Aviation, presides over one of the bright space of the Fountier accommy spots of the Egyptian economy. It has shown impressive growth this year and prospects are

Dr Sultan, a former investment banker, took over as Minister about 18 months ago at a time when tourism was in the doldrums after a spate of Mid-dle East terrorism frightened visitors away from countries in the eastern Mediterranean. In 1986, his first year as Minis-ter, numbers of visitors dropped

by about 14 per cent compared with the year before. There was a 62 per cent reduction in the numbers of Americans visiting Egypt, a catastrophe for hotels and tour operators. But in the first five months of

this year, tourism has currencies rebounded. Numbers of new Dr Sultar arrivals are up 35 per cent on the corresponding period last year. Visitors are also staying reversing a trend

Dr Sultan said that the average stay of visitors had increased from six to 11 nights, leading to an overall increase of tourist nights between January and April of about 125 per cent compared with the same period last year. He said that this reflected the

success of a marketing cam-paign to persuade people that Egypt has more to offer than simply archaeological sites such as the Pyramids: it also has a good climate and some of the finest beaches and coral reefs in the world. Hotel occupancy rates have shot up this year after a bleak 1986. Rates are now running on average about 75 per cent.

The surge in tourism to Egypt is partly the result of a depreciation in the value of the Egyptian pound. The pound has slid about 30 per cent in the past year against the US dollar which itself has depreciated sharply against other major

Dr Sultan's other main objeclive, apart from selling Egypt as a holiday destination, is to the tourism sector. In this, he is



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Five centres to be developed

EGYPT IS planning new tourist developments in what the tourism ministry decribes as five virgin areas, separate from the main tourist sites in Upper Egypt and near Cairo, These are

developing the Sinai, but they are restricted to a maximum of 49 per cent holding.

3-NEW VALLEY (Western Desert Oases):

The Government plans to start surveying tour-North and South Sinai, the north-west coast near Mersa Matrub, the Red Sea coast near Hurghada and the New Valley in the Western Desert where there are a string of oases. This fits in with Egypt's plans to diversity its tourist attractions from traditional archaeological sites to those offering broader

recreational possibilities.

1—SOUTH SINAI: The Government is developing two areas. One stretches from Taba on the border with Israel to Nuweiba on the Gulf of Aqaba. The other centres on Sharm el Sheikh at the southern tip of the Sinai. Four holiday villages are planned on the Gulf of Aqaba between Taba and Nuweiba. A number of new projects are under way at Sharm el Sheikh, including the construction of a Hilton holiday village at Naama Bay.

2—NORTH SINAI: The Government is studying new tourist development on the Mediterranean coast east and west of El Arish. Foreign

investors are being urged to put money into

ist prospects in the Western Desert in the middle of this year.

4-RED SEA COAST: The Government has set aside two locations south of Hurghada and is selling land there. No restrictions on the level of foreign ownership.
5-NORTH-WEST COAST: New hotel and

In addition, Egypt is planning to encourage tourist development near Minya in Upper Egypt site of the tomb of Akhnaton, husband of Nefertiti. Other locations are Sohag, also in Upper Egypt, and Rosetta, on the Mediterranean east of Alexandria.

The Ministry of Tourism is also engaged in a replanning scheme for the Pyramids area which is being encroached on by new settlements spreading out towards the desert. The Government plans "more positive" restric-tions on new construction in the area.

At the risk of incurring the wrath of the left in Egypt, Dr Sultan has promoted privatisation policies that have more than once got him into difficulties with entrenched public sector interests. He has, for example, encouraged a process of privatisation in the hotel sector.

This has involved handing This has involved handing of the property of the some of the management of some of the process of the management of some of the process of the process of the management of some of the process of the

over the management of some of Egypt's grand historic hotels to international chains in exchange for undertakings that these groups will invest in upgrading the hotels. The response has been good.

Egypt Hotels Company (EHC).

which is under the Ministry of Tourism, has signed agreements with a number of management groups to take over hotels such as Shepheard's in Cairo, The Palestine in Alexandria and the Cateract at Aswan. Mr Bahieddin Nasr, chairman

of ETC said that losses on 18 public sector hotels under his control totalled Ef6.3m (US \$2.9m) in 1986. He hopes that these hotels will be in profit by 1988 under new international

Dr Sultan, as a pilot scheme, is selling one public sector hotel to the private sector: the Sheraton Hurghada on the Red Sea, 500 kilometres south-east of Cairo is being sold to a group of Egyptian and Arab investors brought together by the Misr Iran Development Bank (MIDB). The book value of the hotel is E£15m. As a condition of the sale the purchasers are obliged to double the hotel's capacity from 120 to 250 rooms.

Proceeds from the sale, Dr said, would be used to tourism.

ators were now flying tourists into the main tourist sites such promoting Egypt as a recrease Hurghada and Luxor in tional destination and as a suit-

Upper Egypt. Fears on the part of Egyptair that its share of the market slowdown in investment in tour-would be squeezed have not ism in the past two years, partly been realised, the minister said. On the contrary, Egyptair's average load factor in 1986 had increased to about 60 per cent.

shops at the old terminal. He also has plans to engage an international caterer to service

study on a new catering service and he expected that within a few weeks an announcement would be made. "We cannot accept the continuation of the monopolistic situation on account of the national carrier." he said.

Dr Sultan and senior officials including the market.

That so market.

That so with the foreigned including the market.

foreign airlines. His depart-

ment has prepared a feasibility

in his ministry said that govern-ment efforts in recent years to receipts through official chanimprove Egypt's infrastructure nels will such as new roads had provided a good basis for the growth of

to encourage a trend towards able place for conferences.

Mr Moussa said there was a because many projects begun in the late 1970s and early 1980s had been completed. He expected that in the next

Another battle fought and won by Dr Sultan was to award the contract in a competitive tender for the duty free shops at Cairo's new international terminal to a British company against strong opposition from Egyptair, which runs the duty free shops at the old terminal.

He expected that in the next few years there would be a fresh surge of investment to take advantage of an expected steady increase in tourists. It is hoped that there will be about 1.6m visitors to Egypt this year.

The Government believes that the courists will top 2.5m in the next five years, generating some

five years, generating some US\$2.5bn in income.

Tourism revenues through the banking system totalled just E£309.5m in 1986 compared with Ef338.3m the year before. This amounts to only about one-third of tourist receipts as the bulk of funds was traded on the black

That situation has changed with the introduction of new foreign-exchange regulations, including a more realistic offi-

Tony Walker

Farming incentives

Continued from page 4

proved productive. about 900,000 additional feddans which seems overly ambitious, judging by past efforts. With available water resources Egypt, according to latest estimates, is in a position to reclaim about 3m feddans of desert land, or about 40 per cent of the total land now under cultivation of a little more than 6m feddans, or about 4 per cent of Egypt's

Egypt is reviewing legislation to encourage foreign investment in agriculture. It is planning to offer leases of 50 years to inves-tors in the hope of opening a window for technology transfer and to encourage export-oriented agricultural produc-

Government is also removing ownership ceilings on new desert land and providing virgin territory at prices ran-ging between E£100 to E£400 depending on distance from population centres and water

supplies.
One area the Government plans to tackle head on is that of huge areas (about one-third of arable land) given over to stock feed such as the growing of

clover for red meat production.
Dr Ketr said legislation was planned that would confine livestock production to new lands and at the same the increase opportunities for the private sector to import red meat to compete with domestic

producers. Foreign agricultural experts say that Egypt appears in the past year or so to have arrested the decline in its agricultural fortunes. The area under cotton. for example, has been stabilised at about one million fed-

dans after dropping below that figure in 1985 for the first time.

In the 10 years between 1974/75 and 1984/85 there was a direct correlation between low goveroment prices for cotton, wheat and rice and movement away from growing these crops.

In the decade, the area planted for cotton fell by more than 250,000 feddans (20 per cent), while that under wheat fell by more than 200,000 fed-dans (15 per cent) and rice declined by 130,000 feddans (12

per cent). Meanwhile, the area devoted to maize rose by 85,000 feddans (5 per cent) and the area under fruit and vegetables increased by 257,000 feddans (23 per cent).

A US agricultural official said that East onioned a compara-

that Egypt enjoyed a compara-tive advantage in the production of export crops such as fruit and vegetables and specialist products such as perfume essence. It was important for the

Government, he said, to ease restrictions on exports so that Egypt can capitalise on its advantages. He said that a number of US

companies were interested in investing in agriculture, but were concerned about complex. restrictions under which they mould be obliged to overste A continuing serious problem for Egyptian agriculture is the

amount of prime agricultural land that continues to be lost to new settlement. Government decrees banning the use of soil along the Nile for use in brickmaking appear ineffec-Another problem for agricul-

Waters in Lake Nasser are at their lowest level since the dam filled in 1978 and unless there Ethiopian catchment area of the Blue Nile, water rationing may be introduced in 1988.

Egypt faces the allied prob-lem of having less water flowing through the sluices of the Aswan high dam, reducing power generating capacity. The Egyptian Government appears belatedly to be recognising the potential serious threat of con-tinued drought in Ethiopia.

Agricultural experts say that Nile water can be used to much greater effect. Efficiency usage is only about 55 per cent which is low by any standards.

Tony Walker



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Water

Fears over lean years

EIGHT YEARS of low flows in the river Nile have reduced the amount of water in Lake Nasser-Egypt's buffer against drought-from 130 cu km to 50 cu km, prompting fears for future supply if the drought per-

sists.
The 200km long lake which 30 stretches from Aswan to just beyond the Egypt/Sudan border. is the country's only source of water. Formed by the Aswan High dam which was built between 1963 and 1970 to impound and control the uncertain flows of the river Nile, the lake has continued to supply Egypt with water throughout the

Egypt with water throughout the long period of Sahelian drought which has desiccated neighbouring countries.

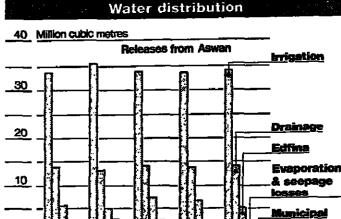
Under the Nile Waters agreement with Sudan, Egypt extracts 55.5 cu km/year from Lake Nasser; and in recent years, the country has been able to draw ment programme was started."

57.7 cu km to meet the increasing requirements of agriculture metry system linking 250 ing requirements of agriculture metry system linking 250 and population. monitoring stations throughout

International scientific opin-shortage. available evidence appears to indicate that a permanent change in the region's climate may have been caused by higher sea temperatures in the southern hemisphere and southern sea temperatures in the south-ern hemisphere and north Indian Ocean, resulting from increased carbon dioxide in the

will need to put contingency plans into effect. Even if it is wrong, planned development projects and a rapidly-increas-ing population will lead inevit-

Dr Sanwat Fahmi of the Nile Dr Sanwat Fahmi of the file with the state of the file work has involved review are, however, reported by the Edfina and 3 cu km a year drought may at last be enough drought may at last be enough the file work has involved review are, however, reported by the Egyptian authorities. national irrigation improve- ing to the Sahelian drought, and



throughout the new five year plan period and beyond." Rehabilitation of the Esna barrage on the Nile which is

Sixty-six per cent of the water taken from Lake Nasser is consulting engineer, Sir M. Macsumed by irrigated crops and a reduction in Irrigation loss is obviously of key importance in maintaining the balance between supply and demand. Any water saved through increased efficiency would be available to open up new land for cropping, or to increase water supply to the rapidlypossible to save 4 cu Km a year acting solely as a regulator of by reducing discharges at annual Nile flows. Edina and 3 cu Km a year by recovering drainage water.

Some signs that the long drought may at last be ending

assessing the effect of the drought on Lake Nasser, His studies of flow regimes of both the Blue and the White Nile during the past two decades have led him to the conclusion and population.

The Aswan High dam may not, however, be able to guarantee Egypt protection much longer. At present only 20 km³ of "live storage" (water held above the minimum operating level) remains in the lake and a few more dry years could eliminate this altogether.

monitoring stations throughout the irrigation network, and gives the Ministry of Irrigation have led him to the conclusion that unusually high flows in the White Nile have helped to cushion Egypt from the worst of the Sahelian drought; but that this safeguard is unlikely to continue.

The White Nile originates in Lake Victoria in Uganda and

Lake Victoria in Uganda and

water sharing agreement.

In a normal year, the Blue
Nile and the river Sobat and
Atbara, combine to contribute If this proves correct, Egypt will need to put contingency plans into effect. Even if it is wrong, planned development projects and a rapidly-increasing population will lead inevitably to increased demand for Sixty-six per cent of the water taken from Lake Nasser is consumed by irrigated crops and a reduction in Irrigation loss is obviously of key importance in maintaining the balance between supply and demand.

Plan period and beyond.

Rehabilitation of the Esna Atbara, combine to contribute S4 per cent of the inflow into Lake Nasser at Aswan; while improvement of locks will also the White Nile contributes only the White Nile contributes only the White Nile contributes only improvement of locks will also the White Nile contributes only the White Nile cont

Annette Bingham

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> **BALANCE SHEET AS AT DECEMBER 31, 1986** (in million dollars)

	1985 (US\$1	1986 (US\$1
Total assets and liabilities	=1.33 L.E.) 290.4	=1.35 L.E.)
ASSETS	290.4	290.2
Cash and deposit with banks	156.8	162.9
Loans and advances	116.2	105.8
Investment at cost	5.7	9.3
Bank premises net	6.6	6.2
LIABILITIES		
Deposits and current accounts for clients	168.2	160.9
Deposits and accounts due to banks	56.7	63.3
Total shareholders' equity	<u> 42.4</u>	<u>43.2</u>

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED **DECEMBER 31, 1986** (in million dollars)

1986 1985 (US\$1 =1.33 LE.) =1.35 LE.) Total income 23.4 23.9 Total expenses 17.1 17.6 Total profit for distribution 5.6

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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIDAY JUNE 26 1987					THURSDAY JUNE 25 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx	
Luctralia (94)	132.40	+0.1	121.85	122.45	3.23 2.31	132.29	121.63	122 17 81.50	140.95	99.92	83.84	
		+0.0	79.09	81.43	122	85.92	79.00	1220	101.62	85.71	85.61	
lestria (147) legium (47) legium (47) legium (47) legium (39) rance (122) legium (129) long Kong (45) legium (14)	121.39	+0.3	111.71	113.45	4.20	120.97	111.23	11321	123.62	96.19	79.8	
anada (127)	127.86	+0.3	117.67	123.37	236	127.44	117,17	122.73	136.17	100.00	98.5	
lenmark (39)	11829	-0.6	108.86	110.84	250 273	118.95	109.36 96.42	11126	124.30	98.18	93.9	
rance (1 <i>2</i> 2)	106.33	+1.4	97.85	101.61	2.73	104.87	96,42	100.35	121.82	98.39	82.6	
Vest Cermany (90)	97.21	+0.6	89.46	92.28	2.02	96.60	88.81 110.06	91.80	100.33	84.00	82.7	
long Kong (45)	119.88	+0.1	110.32	120.16	2.86	119.70	110.06	119.98	121.30	96.89	71.2 87.8	
reland (14)	130.44	+0.5	120.04	125.21	3.57	129.76	119.30	124.76	131.8% 112.11	99.50	87.8	
nly (76)	99.39	-0.1	91.46	98.20	1.85	99.52	91.50	98.26		94.76	80.0	
ASY (462)	147.21	~02	135.48	136.09	0.50	147.54	135.65	136.44	161.28	100.00	803 87.2	
Introduction (36)	171.30	+0.1	157.65	166.21	2.28	17111	157.32	166.25	172.55	98.24	87.2	
Legion (7.4)	250.85	404	230.85	366.56	0.60	249.28	229.19 111.38	363.71	268.91	99.72	51.3	
interiord (38)	121.88	40¥	11217	114.20	3.86	121.14	111.38	113.84	121.88	99.65	90.0	
lew Zeoland (27)	98,47	-0.2	90.62	88.29	3.07	98.63	90.68 126.20	89.19	100.59	83.93	73.5	
EA (24)	137.53	+0.2	126.57	124.84	2.01	137.26	126.20	124.78	140.05	100.00	100.7	
(CRES) (27)	145.88	+02	134.25	142.52	1.73	145.61	133.88	142.29	145.88	99.29	78.1	
	15732	+02	144.59	116.45	354	156.80	144.17	116.21	186.74	100.00	78.0	
(19) 19) 101/	122.96	+12	113.15	117.60	3.34	121.54	111.75	116.38	122.96	100.00	81.6	
(121) 	113.74	+0.4	104.67	107.26	216	113.30	104.17	107.01	124.68	90.85	89.3	
	99.28	+0.7	91.37	93.22	1.83	98.58	90.63	92.80	104.06	92.01	84.0	
WIZETER CIJ	148.20	+0.6	136.39	136.39	334	147.32	135.45	135.45	151.46	99.65	100.8	
ISA (592)	125.70	-0.5	115.68	125.70	2.88	125.40	116.21	126.40	126.68	100.00	104.3	
reland (14) ally (76) apan (458) falaysia (36) Redico (14) retheriand (38) retheriand (38) rew Zealand (27) constant (38) rew Zealand (27) constant (31) apan (43) witzerland (33) witzerland (51) nited (6ngtom (335) SSA (592)	121.59	+0.6	111.89	114.09	2.81	120.84	11111	213,42	121.71	99.78	90.0	
urope (928) acific Basin (687)	145.62	-02	134.00	134.91	0.66	145.91	134.16	135.23	158.64	100.00	80.2	
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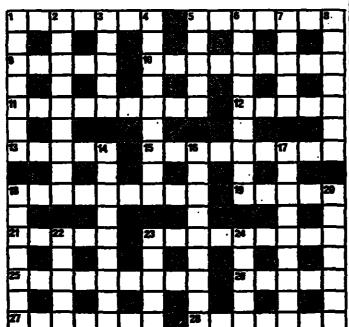
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FT CROSSWORD PUZZLE NO. 6,364

PROTEUS



TOTAL VOLUME IN CONTRACTS: 63,706

ACROSS

1 Booked as promised (7)
5 Put out to sea when stage was clear? (4.3)
9 Peers arrayed in dark blue
(5)
2 Teuton embarrassed about Herb (9)
3 Girl brought up by later generation (5)
4 Having society girl aboard is was clear? (4.3)

9 Peers arrayed in dark blue (5)

19 Staff embracing mind-blowing game (9)

11 Naval engagement for sailor in American town (3.6)

12 Undertake a selfless part in support (5)

13 Managed to include journalist in defence work (5)

15 It is inspiring to be alive (9)

18 Way guides see foreigners (9)

3 Girl brought up by later generation (5)

4 Having society girl aboard is liable to be disputed (9)

5 One who is no gentleman for example about sponge (5)

6 Support-weapons! (9)

7 Curses on finding hornet's head in cereal (5)

18 It may be responsible for girl's appeal on cricket field (4.3)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

- ist in defence wor.

 15 It is inspiring to be alive (9)
 18 Way guides see foreigners (9)
 19 Lecherous person who was a tyrant to some extent (5)
 21 Run scored by one in the crowd? (5)

 22 About man's shout man's golfers would like to be (2,3,4)
- 25 He may well march on behalf of inspector (9)
 26 Instruction to keep 22 Everybody in France claim-

- 26 Instruction to keep extremely quiet about girloupposer (5)
 27 He comes up with cash for pioneer (7)
 28 Cloth of state in preparation (7)
 28 Everybody in France claiming right to fish (5)
 29 Record transaction in forbidden territory (5)
 20 In a position to act in violent attack? (5)
- DOWN

 1 One who reveals secrets of former model (7)

1 5

£135	F.P.			155	B.D.A. Hidgs. 10p	200		125	3.70	1.7	22.
977	F.P.		1222	90	Barrett (Herry) 10p	115	-2	R2.81	22	3.3	18.
177	F.P.	306	110	196	#SopriedLandates10p		ļ i	124	2.4	3.0	19.
~	F.P.	_		10	ChildHealthRes.Wrts			_	I — I	-	ļ —
ś125	F.P.		185	145	∳Colorgraphic 10p	179] -1	13.0		23	21
	F.P.	-	165	150	&Colorvision 5p	161		R2.2	2.7	19	126.
1230	F.P.	107	297	278	Computer People 5p	291		13.6	32		25.
4 .	F.P.	_	190	166	Cresta Hidgs 10p	390			I— !	-	7.1
556	F.P.	17/7	82	71	ide Morgan Sp	75	-212	R1.0		148	
695	F.P.		140	113	Egs 50	140		1.21	3.20	20	120.
\$170	F.P.	1/7	205	188	History Adv. Tech Tst	190		· - '	! — !		I —
\$105	F.P.		215	105	ěKasts & Kasckers 10s	143	-2	11.17	4.60	ш	126.
§175	F.P.	_	210	190	&L'month&Burchett 10n.	206		Lh1.3	5.8	0.9	l27.
6330	F.P.	15/7	172	163	Neotranics 5p	170	Z	RLB	42	14	22
	F.P.	_	138	80	Orlflame Int. Warrants	138	+25	-	l — !	-	I
125	F.P.		190	180	Pickwick	185) ˈ	R25	33	18	24
583	F.P.		101	88	Practical lines	100	-1	_	I — i	_	I –
11	F.P.	_	117	94	River&M'c Cap 12120	117			I — I	7.9	I –
fi	F.P.	· —	103	98	Do. Inc. 123-20	100		H5.67	 _	7.9	I –
11	F.P.	_		ł 18	Do. Wts 121-20	38	+2	_	 _	- 1	l
ÌÌ	F.P.	_	102	98	Do. Stepped Prf 12129	100		H4.20	 -	5.7	J -
5165	F.P.	-	255	183	+Ross C'9ana, Elec. 100	255	+3	135	2.6	1.9	ZJ.
#100	F.P.		103	97	Sattire Interacce	97		– i	_	_	_
和名	F.P.	19%		1155	#Sharp & Law 10p			-3. 0	24	2.2	25.
992	F.P.	246	100	94	#Shoralplan 5p	94		مله	36	23	16
11	F.P.	-	162	135	Smith Doctors Sp	145		0.25	I — I	0.24	l —
120	F.P.	١ —	41	31	#Starco Exhibition 5p	41	+4	0.292	4.0	1.1	31.
145	F.P.		195	150	Tie Rack 5p		,	K17	42	1.0	34.
\$125 E	F.P.		167	158	+UCL Group Sp	165	-1	#2.51	2.8	21	
1130	F.P.	_	(183	175	Warner Howard 5p		[- - 1	R2.66	2.70	20	[24.
135	F.P.	49	175	366	Webniller(Barry)lett.5p _	175		RAD	29	3.1	12.
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BASE LENDING RATES

PK Finans, Lett (UK) ______ 10

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Clasing Price

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First Nat. Sec. Ltd Robert Fleming & Co..... Robert Fraser & Pars.....

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C. Hoare & Co...

Honglong & Stangh

Meghraj & Şoas Ltd ...

LONDON RECENT ISSUES

HFC Trest & Savings... ● Hassiero Basik ... Heritable & Geo. Tst..

FIXED INTEREST STOCKS

Date High Low

							_
Issue Price	Amount Paid	Latesi Respons	1987		Sanck	Clasing Price	+ or
£	坤	Caste	排車	5		£	
1	NGI	247	11pp	Span	Anglo Utal, Cav. Resi. Pri	3.Oppes	
100	F.P.	-	1130	109s	Asda Prop. 54% Cov. Com. Red Prf. 2012	1120	+1
_	F.P.		115	98	Baradene Invs. 15% this.Lr. 2007-12	1111	
\$99,239	F.P.	2077	995,	96%	Dares Est. 104% 1st Mt. Deb. 2012	98%	
******	ar.	247	34ppm		Dencura 64% Cum. Cav. Red. Pt	33ppm	+1
	1		9	4000	Elliott (B) 7% Cry.Com.Red Prl.	Bapon	
\$700	520	-	7,	7/2	Esses Water 97/% Red. Deb. 97-99	73	
	F,P.	=	147	1086	#Gibbons Lyons 7% Cmr Com Red Pf. (E1)	1470	
Ŋ	£50	11/9	509	48	Govett Strategic Inv 7st 94% Deb 2017	485	+8
-f.	220		~~	7/2	Mid Kent Water 77% Red. Deb. 97-99	7/2	
₹ 100	£10	247	125	ű	Mid-Southern Water 7% Red. Prf. 1997	127	
_	500					125	
-	F.P.	l:	1004	9913	Nationade 81) pc 8ds 20/6/80	100	
	F.P.	297	1370	1200	Noble & Lund Spc CarComRedPrl(\$1)	1375	+7
_	525	מענו	251 ₂ 290 ₀	23	Harth Housing Assoc, 84% GAL 10.2037	24,	
_	₽₽.	717	290p	240p	Do. Zero Cps. Ls. 2027	295p	
-	F.P.] -	210p 26	160p	P&O Sabs, Warris, 1988-92 (Are., Writs)	176p	+3
PS.223	525	2710	26	21设	Peachey Property 92% 1st Mt. Deb.2015	22,	يواج
· —	£40	126	42	3 8%-լ	Peel 97gpc 1st Mt. Detr. 2011	35%	
€	F.P.	157	106 ¹ 25	101a 172a	Promiting 8.3% Come. Red. Prf 2002 (CL)	106p	
	F.P.	-	1740		Do. 131/6 Com. Prl. (E1)	17320	
71	l F.P.	I —	120p	10to	Spong Cays. Com. Rett. Prl. (20p)	1189	
71 78.105	F.P.	107	1014		Tr lad & Ges Tst. 10% Deb 2016	944	
_	F.P.	<u> </u>	<u> 1116</u>	110p	Unigroup 71/2% Com. Com. Red Prl	116p	L

"RIGHTS" UFFERS									
issue Price	Amount Paid	Latest Repurs	29	67	Stock	Closing Price	+ 0*		
PRICE	中	Date	High	Low		P	•		
136	Mi	247	E3pm	76pm	Bank Ireland cap. (Ir £1)	90pm	+2		
136 13 35 210 170 11 310	MTI .	-	134pm	10pm	Blacks Leisure 21gp	124pm	-12		
35	N#	I —	23pm	19pm	Dares Estates 50	23pm			
210	16H	297	72pm	44pm	Hazirwood 10p	72pm	+2		
170	i seti	_	73pm	70pm	Kennety Smale	70pm			
96	961 NHI	148	15pm	4pm	Municip Bros. Pfd. 20p	6pm :	-1		
310	NET	TII	62mm	57pm	Rainers 10s	57pm	-3		
	MA	i —	43pm	38pm	Westmood Davies 1250	38 jun)			

Renunciation date usually last day for dealing free of stamp duty. a Annualized dividend. b Figures insection prospecting estimates. d Dividend rate paid or payable on part of capital, cover based on dividend and yield. b Assumed dividend and yield after Strip Issue. F Dividend and yield hased on prospectins or other official estimates for 19867. H Dividend and yield based on prospectins or other official estimates for 1986. Estimated annualized dividend, cover and pie hased on based on prospectins or other official estimates. W Pro Forma Figures 1 indicated dividends, cover relates to previous dividends; prospectins or other official estimates. W Pro Forma Figures 1 indicated dividends; cover relates to previous dividends; prospection beautiful process assumed earnings. I Forecast, or estimated annualised dividend rate, cover based on previous proximates. Proceedings of capitalisation. Figures price. & Reintroduced. 19 Isputed in connection with reorganisation interger or takenover. All Allotment price. & Unitisted securities market. 19 Official London lissing. ## including varyants entitlement. 3 Placking and offer for sale price.

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		Financial Times I	Monday June 29 1987
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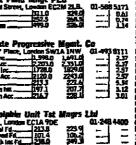
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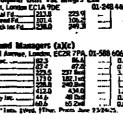


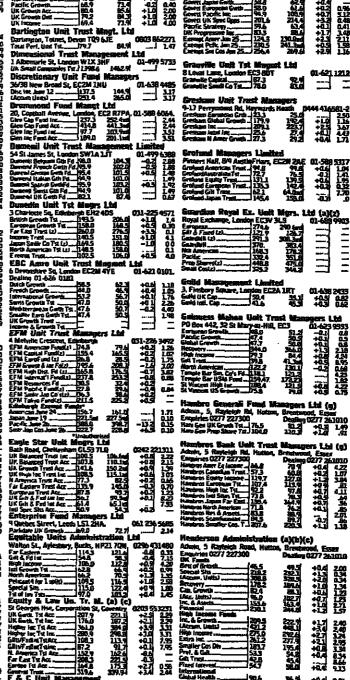






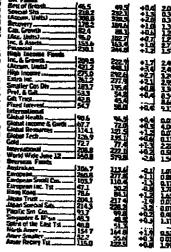


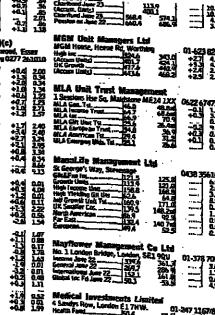




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high quality precast concrete panels with a cast-on Port-iand stone veneer and



Mixed batch for Miller

MILLER CONSTRUCTION has MILLER CONSTRUCTION has been awarded six civil engineering projects worth more than fillm. These include: Royal Docks drainage scheme, phase four, for London Docklands Development Corporation; a sewer replacement scheme for the City of Manchester; Mablethorpe sea defence programme for Anglian Water; Vines Cross sewage treatment works project for Anglian Water; vines Cross sewage treatment works project in Sussex for Southern Water Authority; Egremont-Braystones trunk sewer for North West Water Authority; and site decontamination project in Widnes for Haiton Borough Council.

HENRY BOOT is to undertake a £3m road improvement scheme on the A34 at Hanford near on the A32 at Hamour hear Stoke on Trent. A level grade roundabout on the busy road is to be replaced with a grade separated junction involving construction of a four-span flyover. The 74 week contract is due to start next month.

Bank project in Peterborough

Contracts totalling over £17m blocks of two with offices to have been awarded to WIMPEY each unit.

CONSTRUCTION UK,

A single-store warshouse with

A contract from Lloyds Bank is for the design-and-construc-tion of a second phase of the bank's building at Peterborough. Based on an outline design by the bank's regional architect, the contract is due for comple-tion in September part year and tion in September next year and is for a steel-frame building, linked to the existing centre, with metal cladding on a reinforced concrete foundation and a mansard roof.

a mansard roof.

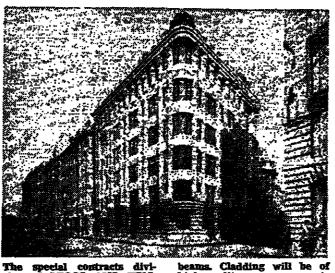
Four retail warehouse units, to be occupied by Allied Carpets, Wigfalls, Halfords and Payless, are being built for Laybrook Properties at Kingsbury Road, Birmingham, and the contract, worth £1.7m is due for completion in September. The buildings will be constructed in

C. H. PEARCE AND SONS (CONTRACTORS) has won three contracts worth a total of £6m. Twenty-three high-tech factory units with offices worth over £2m, are to be built at Whittle Parkway, in Bath Road, Slough, Nine industrial units at the Meadow Brook industrial estate in Maxwell Way, Crawley, ranging from 500 to 3,500 square metres, will each include offices, and are worth over £2.5m.. The

A single-storey warehouse with an attached office building is under construction for Batley's. In Sandwell, West Bromwich work on the 53.75m contract has started, for completion by February, External works in-clude car parking of 9,045 square metres, hardstandings, flag paying and landscaping, and internal installations include refrigeration, display shelves, kitchen equipment and com-puterised tills.

The National Exhibition Centre has awarded Wimpey a site preparation sub-contract package at NEC Birmingham, valued at £880,862. Work has started to be completed in 14 weeks, and covers demolition of two-storey seminar-suites ready for reconstruction.

company is to design and build company is to design and build new homes for elderly people at Nailsea in Avon. This contract, awarded by Woodspring District Council, is worth just over £1m and will involve construction of 43 flats of traditional design. Other contracts, worth a further £1m, include a supermarket for Argyll Stores at Ross on Wye, and refurbishment of a property into 12 flats for the Bristol Churches Housing Association.



The special contracts divi-sion of HIGGS AND HILL BUILDING is to undertake a design and construct contract for JLW Development Services, on behalf of the Midland Bank Pension Trust, to create a high quality office building at 30-34 Moorgate, London EC3. It will have a steel frame with metal deck and lightweight concrete floors and contracts and services and services and services. design and construct contract and concrete encas eter columns a

land stone veneer and polished granite. The building will also have a sloping mansard roof with aluminium sheet cladding and dormer windows, while flat roof areas are of upsidedown asphalt construction. Internally, offices will generally be open plan with raised floors McLAUGHLIN & HARVEY has Battersea Bridge Road, SW1, for been awarded contracts worth a total of £6.8m. Included are a £3.1m office development at 13 Charles II Street, SW1, for Land Westgate Land and Property Investments: and a £1.5m retail/ offices/light industrial development at 29-35 Great Portland Securities; a £1.6m shops/offices/ ment at 29-35 Great Portlan residential development at 46-54 Street, W1, for Collin Estates.

Expanding Stanmore research complex

SHEPHERD CONSTRUCTION
has won three design and build
contracts in the industrial sector
approaching £15m. They are for
Marconi Defence Systems, at
Stammore, Middlesex; The Sharp
Manufacturing Company of UK,
at Wrexham, Clwyd; and Schering Agrochemicals at Hauxton,
Cambridge.
Worth Eson plus the Marconi

Cambridge.

Worth 15m plus, the Marconi project comprises the design and construction to two buildings to house electrical laboratories and offices on the Stammore research and development complex. One of two brick-clad blocks is of four-storeys and will provide 4.250 sq metres of floor area while the other is of three-storeys to provide 5.250 sq metres of floor area. Completion will ing docks.

Refurbishing the Tube

FAIRCLOUGH BUILDING, part of the AMEC group, has won three contracts with a combined value of over £5m. The largest is a £2.5m management fee contract for London Underground for modernising Gloucester Road tube station. This is Fairclough's tube station. This is Fairclough's recent years and works include to the entrance, platforms and shops, plus a new combined ticket hall which will feature a new ticketing system.

For AMI Health Care Group, Fairclough is to build a £2m wing for the Alexandra Hospital at Cheadle, Cheshire. The two-storey structure will contain a surgical unit, medical suite, physiotherapy department, gymnasium, consulting suites and a health screening department. In Stafford, work has started on refurbishment of the Guildhall, Market Arcade and 13 Market Square, for The Standard Life Assurance Company.

at Cheadle, Cheshire. The two-storey structure will contain a surgical unit, medical suite, physiotherapy department, gym-

busy in Brunei TAYLOR WOODROW INTER-NATIONAL has won two further contracts in Brunei

Taylor Woodrow

manufacture of consumer electrical goods is the subject of fast moving 36 weeks, £5m plus design and build contract for Sharp of Wrexham.

Shepherd is undertaking this project for project manager, Shimizu Europe BV.

Shepherd is building a manager, Shepherd is building a manager,

The larger project valued at £1.6m, is for construction of a Government staff recreation complex, including social, indoor bowling, squash, gymnasium, swimming and tennis facilities, in Bandar Seri Begawan, the state capital. Work has started and is due for completion in July, 1988. The other contract, valued at £600.000, is for first phase infrastructure works on a proposed water treatment plant at Jalan Barun — 45 miles from the capital. Work is underway and is scheduled for completion in Ap.il, 1988. The works include estate roads, a steel river brilge, re-routing a water

Teamwork Conporation is also working on a £5.8m contract to build a residential, retail and sports complex in a subarb of Bandar Seri Begawan. Work is the for completion in August,

DIARY DATES

BUSINESSMAN'S DIARY

Trade fairs and exhibitions: UK

June 30-July 2
Electronic Publishing Exhibition and Conference (01-868
4466)

Wembley

July 19-23

Harrogate Exhibition Centre

July 23-26

ACCOMPANIES User Show (01-Money Show (0895 58431)

July 69
Royal Agricultural Show (0203
555100)
Kenilworth
July 10-19
World Wine Fair (01-729 0677)
Bristol

0851)
Games
Connoisseur and Collectors'
Fair of Antiques and Memorabilia (021-780 4171)
NEC, Birmingham

Contented Centre

July 17-18

Cash and Carry Fashion Fair
(01-727 1929)

Kensington
Town Hall

August 30-September 1
Scottish Industry and Commerce
Trade Fair (0202 767073)
Scottish Exbn Centre, Glasgow

Overseas

June 30-July 3

July 16-20
International Integration of September 3-6
Western and Chinese Medical
Western and Chinese Medical
Technology and Pharmacology
Exhibition (01-486 1951)

Champhal
FAIK (UI-402 2128)
September 3-6
September 3-6
Western 3-6
Watches and Jewellery —
JUWELIA (01-977 4551)
Vicens

July 22-25 British Products and Services Fair (0206 240668) Amman

The Strategic Planning Society: Recent research results—the competitiveness of British Multi-nationals (01-235 0246)

15 Belgrave Square, SW1

Telecomp June 30-July 1 June 30-July 1
Watt Committee on Energy:
Rational use of energy (01-379
6875) Heriot Watt University
Edinburgh

Financial Times Conferences: Oil and gas reappraised (01-621 their b 1355) Hotel Inter-Continental, W1 794161) Turkey in pre-election year (01-248 4444)

69, Cannon Street, EC4 July 7-12
International Energy Forum
(040 35 69 24 40)
Hamburg
Frost and Sullivan: Strategies Brown Rolling Forum
Frost and Sullivan: Strategies Brown Rolling Forum
Frost and Sullivan: Strategies Brown Rolling Forum
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Grosvener House, WI
July 8-9
Institute for International Research: Issuing, Trading and Investing in Equity Warrants and Convertibles (01-434 0301)
Cafe Royal, WI
July 7-9
Cafe Royal, WI
July 28-30
Microwave Association: Educations the educators (01-229 8225)
Royal Holloway and Bedford College, Egham
August 10-12
Frost and Sullivan: Managing the data centre as a business (01-730 3438)
London

City Financial: Insurance infor- (01-730 3438)

4466) Wembley July 23-26
Acorn Computer User Show (01Sac 2441) Barbican Centre
(for graduates) (01-387 8221)
Basiness Design Centre, WC1
July 3-5
July 3-5
July 3-5
July 3-5
July 3-7
July 3-7
July 3-8

University of Leeds BFM Furniture Show (01-724 0851) G-Mex Centre, Manchester

July 14-16
Electronic Design Automation
Show (01-242 3621) Wembley
Conference Centre

Bristol
August 23-25
International Craft and Hobby
Fair (04252 72711)
Wembley Conference Centre

- INTERNEPCON June 30-July 3

Electronics Industry Exhibition (02403 29406)

Hong Kong August 21-27
International Jewellery and Watches Exhibition—JEWEL-FAIR (01464 4129)

International Integration of September 3-6

Western and Chinese Medical September 3-6

Western and Chinese Medical September 3-6

Clocks Kuala Lumpur

September 6-9
International Exhibition of Sports Goods and Leisure Equipment (01-255 5566) Paris September 6-12
International Autumn Fair (01-240 7013)

Sement Conferences

Vienna 12.00
BOARD MEETINGS—
BOARD MEETINGS—
Flaise: Smith & Turner House September 6-12
Mercury Asset Managament Mercury Asset Managament Mercury International North Housing Association Priest (Ben)
Republication Priest (Ben)
Sement Conferences Services Sports Goods and Leisure Amman Equipment (01-255 5566) Paris September 6-12 July 24-27

Electronic Products Exhibition

September 5-12
International Autumn Fair (01240 7013)

Leipzig

Business and Management Conferences

mation exchanges—UK-general markets (01-242 5275)

Connaught Rooms, WC2

July 7-8

Financial Times Conferences:
Telecommunications and the European Business Market: the perspectives for change (01-621 to 1992 1) (1992 1

July 12-14
Spectra: How can retail management use data collected from sales points—to make their businesses grow? (0734 794161) Portman Hotel, Wi Jaly 15-17 National Association of Futures

Trading Advisors: Managed money—2 global perspective (Illinois (312) 644-6610) Ritz Cariton Hotel, Chicago

Jaly 8
Association for the Prevention of Theft in Shops conference (01-839 6614)
Grosvener House, WI
July 28-30
Association: Strategies for dramatically reducing your inventory costs (01-730 3438)
Sullivan House, SWI
July 28-30
Association: Education: Education: Education: Education

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS— ---- Waterworks, Bridgweter Road, Materworks, priogwetter Roso, 12.30 Alfways, Royal Albert Heli, SW, on Co., 41 Cheval Place, SW. with British Canadian inv., 29 Chariette Canadian inv., 29 Chariette Canadian inv., 29 Chariette Canadian inv., 20
Campoen & Arzen Cohen (A.) Dowty England (J.) Illingwarth Morris

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TOMORROW Britopi Stadism, 79 New Caventian 2014 W-12.00 Nobel Intel, 28-34 Church Street, Dun-stable, 17.00 Foseco Mimsep, 76 Shoe Lane, EC, 12.00 Globe Inv. Tat., Electra House, Temple Piace, WC, 12.00 Piace, WC, 12.00 Godwin Warrer Control Systems, South-gete, Whiteriars, Lewiss Need, Briston, 12.00

European Business market, the perspectives for change (01-621 1355) Hotel Inter-Continental, WI July 12-14 Spectra: How can retail Spectra: How can retail Spectra Spe 1999 Stee Angloval Green 1990 Stee Angloval GpcPf. 1.802352. Soc2adPf. 1.502126p
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Parliament

Commons: Queen's Speech debate-Subject: The social and economic divisions of the nation, and the regions of Britain, Lords: Queen's Speech debate: Foreign Affairs and Defence.

and inequality. Lords: Debate on Queen's Speech: Home affairs and the

WEDNESDAY Commons: Queen's Speech debate—Subject: The cities, local services, and education. Lords: Queen's Speech

debate: Economic affairs and

employment. THURSDAY TOMORROW Commons: Queen's Speech debate—Subject: Use of Commons: Queen's Speech national resources. Lords: Channel Tunnel Bill,

Committee. FRIDAY Commons: Business to be Hollis 252pcLs. 1998 1.26pc Hundley Group 4.2pc 1.2p 1ML 51-pcLs. 2001-06 24pc 74pcLs. 1988-93 33pc, 8pcLs. 1985-90 4pc Listock Buildins Prods. 74pcCb3. 1985-90 nal Stand Elec. Com. SigncLn. 24pc 1 industry 74pcADb. 1989-92 s and Shipman 4.9ccPt. 0.6125p
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Booket 1971 4.75pc
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Bowthorpe Hidgs. 5.32pc
Brett Walker Green 5p
British Printing and Common Corp 8p
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Time Products 7scDb 1985-90 3-2pc
Times Familiae Co (Properties) 6pc1st
Db 1982-98 3-pc

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Ln 1991-2006 4pc
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THURSDAY JULY 2

COMPANY MEETINGS—
Annovas inv Trust, City of London Cleb.
Old Broad Street EC. 12.30
Bettel Hutton, Andrey House, Ely Place,
Ection 12.00
British Shoe. 40. Dules Street. W. 11.10
British Shoe. 40. Dules Street. J. 10.00
British Shoe. 40. Dules Street. W. 11.10
British Shoe. 40. Dules Street. W. 12.00
British Shoe. 10. Dules Street. W. 12.00
Mark CEL, Baltic Exchange. 14420. St
Mary Ann. EC. 12.00
Myshcutt Inv Trust The Rose Revived.
Neverbridge. 12.00
Myshcutt Inv Trust The Rose Revived.
Neverbridge. 12.00
Myshcutt Street. Shy 12.20
Marks and Spender. Shy 12.20
Marks and Spender. Broyal Lancaster Hotel.
Lancaster Terrace. W. 11.00
BOARD MEETINGS—

BOARD MEETINGS-DIVIDEND & INTEREST PAYMENTS—
Abbey National Building Society Fits Rate
Nts: 1993 £251.61
Assoc Paper Ind 2.5p
BETEC: 1.5sp
BETEC: 1.5s

Ante S.62Bec Corp Starter 11 Luc 1st Mts 1 2016 S.62Bec Corp Starter 4.750 Comperienter Fig Services 2.20 Comperienter 2.20 Com

Woolworth 11p

COMPANY METHNGS—
Barr and Wallace Arnold Trast. Greens
Hotel City Sourse, Leeds, 12.00
Hartwell, Farinsdop Road, Cumnor
Oxford, 11.00
Haziewood Foods, Assembly Market Flace, Derby, 12.00
Lines Rubber, Fartnery Hotel, Cymhran Scarn, Lewingers Rosens, 2.00
Lines Rubber, Fartnery Hotel, Grosvens, W. 2.200
Lines Guarante, Waldorf Hotel, WC Martive Parkings 200 Martive Rubber. Parkings 200 Drive Compress Gwent 200 Sears, London Martiot Hotel, Grosvenor Square, W. 12.00 William Guarante, Walderf Hotel, WC. 11.00 Table and Income Trust. 45, Charlotte Square, Edinburgh 12.15 isi scienced British Engineering nix Property & Finance

Phoenix Property & Finance

DIVIDEND & INTEREST PAYMENTS—
Allied London Prop. 0.2p
Rank of Ireland 7.759
Concept 1.15p
Concept

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

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	AUSTRIA 2987 Jame 26 Price Schr.	ITALY Continued	AUSTRALIA	JAPAN 1987 June 27	Price Yes	CANADA	<u> </u>
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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES Closing prices, 100s High
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28 224 1114
3221 1-18
20 636 499
27 27 27
1737 141
12 13 135
18 F E
11 4 2214
2599 3594
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ISSUES OF GOVERNMENT STOCK The Bank of England announces that Her Majesty's Treasury has created on 26th June 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 10 per cent TREASURY LOAN, 1993 £200 million 10 per cent CONVERSION STOCK, 1996 £100 million 9 per cent EXCHEQUER STOCK, 2002 The price paid by the Bank on issue was in each case the middle

market price of the relevant Stock at 3.30 p.m. on 26th June 1987 as certified by the Government Broker. In addition, Her Majesty's Treasury has created on 26th June 1987,

and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 102 per cent TREASURY CONVERTIBLE STOCK, 1992 £ 150 million 102 per cent EXCHEQUER STOCK, 1997

In each case, the amount issued on 26th June 1987 represents further tranche of the relevant Stock, ranking in all respects perpassu with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted

Copies of the prospectuses for 10 per cent Treasury Loan, 1993 deted 7th February 1986, 10½ per cent Exchequer Convertible Stock, 1989 dated 22nd November 1985 (which contained the terms of issue of 10 per cent Conversion Stock, 1996) and 9 per cent Exchequer Stock, 2002 dated 2nd March 1987 may be obtained at the Bank of England, New Issues, Watting Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Interest paymen dates Redemption date 15th April 1993 15th April 10 per cent Treasury 15th October Loan, 1993 15th May 15th November 10 per cent Conversion 15th Novembe 1996 9 per cent Exchequer 19th November 19th May 19th November 2002

The further tranches of 10 per cent Treasury Loan, 1993 and 10 per cent Conversion Stock, 1996 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 9 per cent Exchequer Stock, 2002 will rank for the interest payment of £5.3672 per cent to be made on 19th November 1987. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Monday, 29th June 1987.

10 per cent Treasury Loan, 1993 and 10 per cent Conversi Stock, 1996 are specified, and 9 per cent Exchequer Stock, 2002 will be specified, under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities (under current legislation exampt from tax on capital gains, irrespective of the

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Benk; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction fiable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND

26th June 1987

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Looking towards a weaker dollar and stronger pound

of any major economic initiatives at the Venice summit, and the result of the UK general election. Underlying fundamentals sug-

gest a long term weakening of the. dollar and a probable strengthening of sterling, but the short term picture is more confusing.

Credit Suisse First Boston, in a recent market analysis, com-mented that the overall impress-ion from the summit was of prog-ress in a positive direction on a wide range of issues, but at a disturbingly slow pace, given the scale of the problems involved.

CSFB added that interest rate differentials, trade volumes and fiscal policies are moving in a positive direction for the dollar.

£ IN NEW YORK

FINANCIAL MARKETS are in the doldrums at present. This is bardly surprising, given the lack sheer scale of worldwide imbasheer scale of worldwide imba-lances rules out sustained dollar appreciation, and probably requires some depreciation over time.

James Capel is in general agreement. The stockbrokers expect the dollar to fall to DM 1.72 and to Y134 byt the last quarter of 1987, and to DM 1.67 and Y125 by the last quarter of next year.

On Friday, Barclays Bank, looking only at the immediate future. ested the present range for the dollar is DM 18170 to DM 1.8330, and the general range will remain DM 1.80 to DM 1.85. Barc-lays added that the central banks

EMS EUROPEAN CURRENCY UNIT RATES

there was a disappointing reac-tion from overseas investors in the result of the UK election, but the political and economic scene looks attractive, and funds can be expected to flow into Britain steadily over the next few months.

Nomura suggests profit-taking by domestic institutions, and Japanese funds flowing back into US bonds, on the recovery of the dollar, have so far discouraged

monye moving into gilts.

James Capel has produced a five-year UK economic assessment, and attempts to answer the question: is the economy over-heating? The answer, according to Capel, is probably no, because most of the warning signs are conappear to have achieved their fined to the manufacturing sector, objective of relative stability. which accounts for only 28 per In its weekly view of the markets cent of gross domestic product.

Capel sees little sign of a pick depend on aluggish growth in Con-up in wage settlements, or under-tinental Europe and an easing of tinental Europe and an easing of an even smaller rise of \$500m. lying inflation, and says unit labour costs have been broadly stable since 1981. National Westminster Bank sug-ests the main cloud on the hori-

LONDON

Close High Low 123-25 123-26 123-123-06 123-30 123-02 volume 20,527 (24,591)

High

90.41 — — ated Volume — (—) us day's open int. —(15,318)

Close High I 229.80 231.00 23 235.30 236.20 23 238.80 — whome 1,485 (2,218)

High 92.61: 92.35 92.14 91.95

Dec. 91.49 — 91.60 Nar. 91.34 Estimated volume 7,639 (6,327) Previous day's open Int. 26,555 (26,301)

CURRENCY FUTURES POUND-\$ (FORETEN EXCHANGE) Spot 1-mth. 3-mth. 6-mth. 12-mth. 1.6110 1.6085 1.6036 1.5980 1.5882

MIM-STERLING Se per £

LIFFE-STEIRLING \$25,000 \$ per £

High Low 1,6100 1,6075 1,6045 1,6045

19% NOTIONAL SHORT EILT E100,000 64ths of 100%

Chose

Estimated Volume 0 (0) Previous day's open lat. 0 (0)

High Low 123-26 123-24 123-30 123-04

Liper

Low 90.82 90.77 90.65 90.52

229.00 234.20

92.44 92.19 91.97 91.86

91.76 91.60 91.44

Capel comments that sterling's performance holds the key to rate gests the main cloud on the horizon is the monetary situation, but for the time being it seems under control.

NatWest, James Capel and of the pound in the afformath of

Sept 0.04 0.25 0.99 2.72 5.57 9.66 14.35

NatWest, James Capel and of the pound in the afternath of the pound in the afternath of the pound in the afternath of the election will mean a June in UK bank base rates in the next increase of only \$1bn, compared few months. NatWest says this will with \$4.8bn in May. A survey by

West German monetary policy.

LIFFE FT-SE 100 (MDEX FUTURES OPTIONS Strike Calls-Last Puts-Last LONDON SE 6/5 OPTIONS £12,500 (cents per £1)

an even smaller rise of \$500m. Morgan Grenfell says the level

of reserves could be boosted by

the unwinding of about \$2bn of

England with commercial banks,

when the pound was unde

upward pressure in April and May. But this is likely to wait until

the authorities can be confident of

selling gilts later this year to offset the impact on money supply

Sept. 13.90 17.70 12.70 11.40 6.70 3.55 1.50 0.70 ept. Dec. 190 13.90 170 17.90 170 12.90 140 11.60 155 4.65 170 1.40 150 1.20 1 1 1,955 Pats 27 0ec 0.37 1.00 2.27 4.36 21.11 11.11 15.41 0es. 2.75 2.10 2.70 1.40 2.55 4.65 7.60 11.20 16.50 Sept. 140 105 150 055 125 290 5.90 9.85 15.30 11.40 6.50 2.90 1.20 0.35 0.35 Pats-Dec. 0.20 0.26 0.35 0.46 0.59 0.74 Sept. 102 9.79 0.57 0.39 0.24 0.13 Dec. 0.94 0.75 0.59 0.45 0.33 0.23 7.25 8.85 JAPANESE YEN (IMM) Y22,5a \$ per Y200

Ass. 1.80 3.00 4.95 6.85 9.05 11.35 13.75 CHICAGO High 92.14 91.16 90.01 89.00 88.15 87.26 87.07 92.19 91.22 90.00 89.03 88.19 88.00 87.15 86.17 86.17

High 93.85 93.64 93.46 93.25 13.76 93.76 93.54 93.38 93.19 93.07 Prev. 93.83 93.66 93.50 93.31 93.14 92.77

Sept. Dec. Mar. June Sept. Dec. Mar. June

Low 0.5511 0.5658 Pres. 92.55 92.14 91.95 91.77 91.59 91.42 91.27

Close 0.6879 0.6933 0.6996 0.7062

Low Prev. 0.6878 0.6881 0.6930 0.6934 — 0.6996 — 0.7062

42.4582 7.85212 2.05853 6.90403 2.32943 0.768411 1483.58 42,9946 7,83562 2,07330 6,91612 2,33337 0,774078 +1.26 -0.21 +0.72 +0.18 +0.60 +0.74 ± 1.5344 ± 1.6404 ± 1.0981 ± 1.3674 ± 1.5012 ± 1.6684 ± 4.0752 STERLING INDEX EXCHANGE CROSS RATES YEN F Fr. SFr. H FL Ling CS B Fr. D14 **CURRENCY RATES** 0.890 1.381 1. 1.552 1.371 4.832 4573 1612 1.137 4.007 1.541 5.431 992.8 3499. Yen per 1,000; French Fr per 10; Lira per 1,000; Beigian Fr per 100. 42,9946 7,83562 2,07330 2,33337 6,91612 1502,87 165,907 7,59439 143,374 7,23340 1,72003 155,663 **EURO-CURRENCY INTEREST RATES** 2.3385 N/A 7.0006 N/A 186.88 N/A One Year 94-94 74-74 84-82 54-54 34-34 94-94 10-104 64-74 44-44 10-102 44-42 94.92 74.73 84.83 53.53 33.4 34.33 811-81 10-103 7-7 65.7 4-43 94.104 42.45 84.84 54.54 34.33 84.84 94.94 65.64 94.94 **CURRENCY MOVEMENTS** 722 1022 778 1378 1000 928 1469 1727 1351 71.6 471 2187 Sterling U.S. Dol POUND SPOT-FORWARD AGAINST THE POUND 1.85 0.71 3.70 2.40 -0.41 -1.00 5.18 -6.71 -6.05

9	+21.7 +22.8	June 26	Day's spread	Clase	One mosts	% pa	Three months	
ļp	+145 +145 -128 -184 +629 : average 1980- dex (Base average	US	1.6105-1.6180 2.1455-2.1530 3.302-3.324 60.85-61.30 11.092-11.144 1.0960-1.1040 2.933-2.9552 229.15-230.49 203.25-204.30	60.85-60.95 11.092-11.104 1.0995-1.1005 2.934-2.944 229.15-230.10 203.29-203.58	17-10c pm par-5; ore dis 0.08-0.18 p dis 14-11-pri pm 105-160c dis 85-170c dis	1.90 0.67 3.63 1.77 -0.34 -1.42 5.10 -6.92 -7.52	0.77-0.72 pm 0.45-0.31 pm 34-27 pm 43-30 pm 4-112 dis 0.20-0.35 des 4-3% pm 340-430 dis 225-390 dis	
7	\$	italy Nonety		2130°22131°2 10.76°4-10.77°4 9.81-9.82		-0.84 -5.29	2-9 line dis 131 ₁ -141 ₂ dis	
1,7476-1,7540 1,3900-1,3910 42,64-42,87 4,4400-4,4430 135,19-1,38,20 7,8070-7,8080 71,254		1.28 c pm. 1	2-month 2.33-2	10.254-10.264 235-236 20.67-20.70 2.437 ₂ -2.447 ₂ francs. Financial 23c pm.	12-14 are pro 12-74 y pro 1812-774 gro pro			da
1	1330.0-1343.0 1.6875-1.6895	Jane 26	Day's Spread	Close	Que month	% p.a.	Three months	
	3.7500-3.7510 2.1195-2.1205 2.0450-2.0490 3.3335-3.4485 31.05-31.15 3.6725-3.6735	JiK†	1.6105-1.6180 1.4640-1.4700 1.3295-1.3330 2.0500-2.0535 37.75-37.85 6.861-6.905	1,6105-1,6115 1,4675-1,4685 1,3320-1,3330 2,0525-2,0535 37,75-37,85 6,981-6,994	0.27-0.24c pm 0.38-0.33c pm 0.12-0.15c dis 0.34-0.31c pm 4-1c pm 0.90-1.60ore dis	2.90 -1.22 1.90 0.79	0.77-0.72 pm 1.18-1.06 pm 0.36-0.40ds 0.99-0.4 pm 8-3 pm 2.90-3.60 dis	

	Spice and			PA	MORUS	17.2.		
UK†	16105-16180	16105-16115	0.27-0.24c pm	1.90	0.77-0.72 pm	1.85		
relandt	1.4640-1.4700	1.4675-1.4685	0.38-0.33c pm	2.90	1.18-1.06 pm	3.05		
Carrada	1.3295-1.3330	1.3320-1.3330	0.12-0.15c dis	-1 <i>.2</i> 2	0.36-0.40ds	-1.14		
Netherlands .	2.0500-2.0535	2.0525-2.0535	0.34-0.31c pm	1.90	0.99-0.94 pm	1.88		
Belgium	37.75-37.85	37.75-37.85	4-3c pm	0.79	8-3 pm	0.58		
Demotark	6.86%-6.90%	6.884-6.894	0.90-1.60ore dis-	-2.17	2.90-3.60 dis	-1.8B		
W. Germany .	1.8200-1.8295	1.8255-1.8265	0.52-0.49pi pre	3.32	1.56-1.51pm	3.36		
Portugal	1421-14312	143-14312	90-120: dis	-8.85	280-330 ds	-8.56		
Soalu	126.05-126.50	126.20-126.30	50-150c dis	-9,50	225-375 ds	-9.50		
fiah	1320-13254	13224-13234	2.00-3.00fire ets	-2.27	6.00-11-00 des	-2.87		
Novemby	6.674-6.7012	6682669	3.75-4.25ore dis	-7.16	11.65-12.15ds	-7.10		
France	6.074-6.104	6.09-6.0912	0,55-0.70c dis	-1.23	2.00-2.25 ds	-1.40		
Sweden	6.351-6.381	6.36\-6.37\-	0.50-0.80ore dis	-1.22	2.50-2.90 dfs	-2.69		
Janes	145.50-146.30	146.20-146.30	0,42-0.39y pm	3.33	1.19-1.14 pm	3.19		
Austria	12814-1285	12.83-12.8312	3.60-3.20grs pm	3.18	9.75-8.75 pm	2.88		
Switzerland	1.5095-1.5190	1.5140-1.5150	0.58-0.53c pm	4.40	1.20-1.15 pm	3.10		
t IJK and leab	IIK and leabed are explaid in US coverage. Forward premiums and discounts ands to the US dollar and not							

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MONEY MARKETS Base rates of 8% may be the low

INTEREST RATES in London last expected Tory majority at the week suggested there would be no early change in UK bank base weak. Swift intervention by the rates.

Expected Tory majority at the pound's value, but Capel indicates further similar intervention currency throughout next year. Sterling's value against the D-This may result in a cut of ½ per Mark is forecast to fall to DM 2.85

James Capel has decided that movements in sterling hold the key to any future changes in rates, and although several other City analysts appear to believe rates are likely to fall before the year, few are prepared to forecast how far the move can go.

16110 1.608 1.6036 1.5980 1.5982 2.9425 2.9288 2.9003 2.8683 2.8000 9.8051 9.8037 9.8083 9.8191 2.44 2.4395 2.4392 2.3787 2.3159 255.60 254.58 232.64 229.97 224.49

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

Bank of England to sell sterling on Capel says the pound's perform-election night may have deflated ance, given the larger than hopes of a sharp upward move in

UK clearing bank base lending rate 9 per cent

since May 8

FT LONDON INTERBANK FIXING (11.00 a.m. June 26) 3 months U.S. dollars offer 7 3 Md 74 e fixing rates are the arithmetic means, rounded to the searest one-statement, of the bid and level rates for \$10m quoted by the market to five reference banks at \$11.00 a.m. each working day, e banks are National Westminster Bank, Bank of Tokyo, Destsche Bank, Banque Nationale de ris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

June 25 June 19 300mt ... B.7640% 8.7299% d ... 8.7617% 8.6232% 8.96% 8.81% 1 tender . £400m £400m WEEKLY CHANGE IN WORLD INTEREST RATES

LONDÓN	June 26	change	NEW YORK	June 26	change
Base rates	9	Unch'd	Prime rates	874	Unetr'd
7 day laterbank	l ģ	+4	Federal Foods	874	Unch'd
3-month Ingerbank	94	+14	3 Mtth. Treasury Bills	6.02 6.40	+0.21
Treasury Bill Tender	8.7617	+0.1385	6 Mth. Treasury Bills	6.40	+0.22
Band 1 Bills	84	Unch'd	3 Mth. C D	7.00	-0.06
8and 2 Bills	8%	Unctré	FRANKFURT		
Band 3 BMs	874			EA	Unctrd
Band 4 Bills	87.	l —	Corr seth, Josephank	5.0 3.65 3.675	Unctrol
3 Mill. Treasury (68)	845		Three month	2475	Unch'd
1 Mth. Bank Bifts	855 - 852 - 853			2013	- CALL-1
3 Mth. Bank Bills	813	Upelfd	PARIS	'	l
TOKYO			Intervention Rate	74 84 84	Unch'd
One month Bills	3.59375	Uncird	One anth.interbank	84	+34
Twee month Bills	3,65625	-0.0625	Three sepath	8,2	+&
BRUSSELS		1	MILAN		
One growth	48		One month	31	
Taree march	6 <u>8</u> 66	-3	Three mostly	<u> 11</u>	—l _e Uectrd
ANSTERDAM	OTE	-10			·
One month	_		DUBLIN	767	١,
Three month	54	Unch'd	One month	107	-2
Listed Without	5 4	Unctrd	Three months	102	

n—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and 4 bills 64 to 91 days. Rates quoted represent Bank of England beying or selling rates with many market. In other centres rates are generally deposit rates in the domestic money market self respective changes during the week.

cent to 8½ per cent in base rates by the end of next year, assuming over the next month or so, with 8 no membership of the European Capel indicates that the pound sector bor could rise to \$1.70 by the end of favourable the year, and is Pkely to remain this year.

over the next month or so, with 8 of membership of the European per cent regarded as a probable low in the foreseeable future. This is because of the constraint said interest rates are likely to imposed by concern about the rate of growth in domestic credit.

Capel indicates that the pound could rise to \$1.70 by the end of avourable than feared earlier the year and is likely to remain this year.

MONEY RATES 7,77 7,94 8,02 8,22 8,34 8,50 (4pm) Two Months Six Months 3.60-3.75 84-85 3-34 5-2-53 3.65625 104-114 65-64 103-105 3.50-3.60 7[2-8], 57-604 54-54 3.28125 104-114 7.75 94-10 LONDON MONEY RATES

June 26	Coor- night	7 days actice	Month	Three Months	Six Months	One Year
tank	A15-815	918-87	91-9 91-812 812	93.9	92.4	92.94
ling CDs	_	i –	94-87	972-831	97-85	92.93
Authority Deposits.	9	9	812	8.2	9	92.92
Authority Bonds	_	l 	9,4	87 97 85	92	94
own, M'ket Deposits	94-84	l 9	1 RL .	85.		
pany Deposits	98	94	92.42	i ēv. i	- 64 64	9.
nce House Deposits			92.	91	ا شعة ا	áĽ
sery Bills (Bay)	= 1	1 =	92.34 94.	843		
2017 DIES (2017)	=	l =	279	813	833	. –
Bills (Buy)	=	[911 911 7.15-7.10	617		-
Trade Balls (Bay)		! =	7,733,7	974		
er CDs	_		,45/w	7,10-7,05	7,25-7,20	7.60-7.55
Linked Deposits	_	ł –	64.5%	64-6	64.64	6%6%
Linked Deposits	_	<u> </u>	65-612	61 <u>3</u> -613	612-613	747
Treasury Bills (sell);	gae-month &	oer cent;	three-mond	is 8¼ per cer	nt; Bank Bill tender rate	s (sell); one

menth 8% per cent; three months 8% per cent; Treasury Bills; Average tender rate of discount 8.7617 p.c. ECGD Flord Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 29 to May 25, 1987, Scheme I: 10.54 p.c. Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 92 per cent from June 1, 1987: Bank Deposit Rains for soms at seven days' notice 3-31, per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under our month 8 per cent; one-three months 84 per cent; three-lix months 9 per cent; six-nite months 91, per cent; nine-21 months 91, per cent; under 5100,000 8 per cent from June 24, Deposits withdrawn for cash 5 per cent.

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